
CI RESOURCES LIMITED

ACN 006 788 754

NOTICE OF GENERAL MEETING

TIME: 10.00am (MYT)

DATE: 15 March 2011

PLACE: Grand Millennium Kuala Lumpur
160 Jalan Bukit Bintang
55100 Kuala Lumpur
Malaysia

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (+61 8) 6310 5040.

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The general meeting of the Shareholders to which this Notice of Meeting relates will be held at 10.00am (MYT) on 15 March 2011 at:

Grand Millennium Kuala Lumpur
160 Jalan Bukit Bintang
55100 Kuala Lumpur
Malaysia

YOUR VOTE IS IMPORTANT

The business of the General Meeting affects your shareholding and your vote is important.

VOTING IN PERSON

To vote in person, attend the General Meeting on the date and at the place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

NOTICE OF GENERAL MEETING

Notice is given that the general meeting of Shareholders will be held at 10.00am (MYT) on 15 March 2011 at Grand Millennium Kuala Lumpur, 160 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia.

The Explanatory Statement provides additional information on matters to be considered at the General Meeting. The Explanatory Statement and the Proxy Form are part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the General Meeting are those who are registered Shareholders of the Company at 7.00pm (Sydney time) on 11 March 2011.

Terms and abbreviations used in this Notice of Meeting are defined in the Glossary.

AGENDA

1. RESOLUTION 1 – ACQUISITION OF A SUBSTANTIAL ASSET – PALM OIL PLANTATION

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, subject to the passing of Resolution 2, for the purpose of ASX Listing Rule 10.1 and for all other purposes, approval is given for Phosphate Resources Limited (a child entity of the Company), to acquire 100% of the issued capital of Cheekah-Kemayan Plantations Sdn Bhd, an entity registered in Malaysia, (**Acquisition**), being the owner of, amongst other things, a palm oil plantation in Malaysia, pursuant to the terms and conditions of the Acquisition Agreement.”*

Short Explanation: Shareholder approval is required by ASX Listing Rule 10.1 in order for an entity, or any of its child entities, to acquire a substantial asset from an associate of a substantial shareholder of the entity. Shareholders should read the explanation and disclosures in the Explanatory Statement for further details of the Acquisition.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a party to the transaction and any associate of that party (or those parties). However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, if it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Independent Expert's Report: Shareholders should carefully consider the Independent Expert's Report prepared by RSM Bird Cameron for the purposes of the Shareholder approval required by ASX Listing Rule 10.1. The Independent Expert's Report comments on the fairness and reasonableness of the Acquisition to the non-associated Shareholders. The Independent Expert has determined that the Acquisition is **FAIR AND REASONABLE** to the non-associated Shareholders.

2. RESOLUTION 2 – DISPOSAL OF A SUBSTANTIAL ASSET – MANAGEMENT AGREEMENT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, subject to the passing of Resolution 1, for the purpose of ASX Listing Rule 10.1 and for all other purposes, approval is given for Cheekah-Kemayan Plantations Sdn Bhd (a child entity of the Company following settlement of the

*Acquisition Agreement) to make the payments set out in the terms and conditions of the Management Agreement (**Transaction**)."*

Short Explanation: Shareholder approval is required by ASX Listing Rule 10.1 in order for an entity, or any of its child entities, to dispose of a substantial asset to a substantial shareholder of the entity. Shareholders should read the explanation and disclosures in the Explanatory Statement for further details of the Transaction.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a party to the transaction and any associate of that party (or those parties). However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, if it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Independent Expert's Report: Shareholders should carefully consider the Independent Expert's Report prepared by RSM Bird Cameron for the purposes of the Shareholder approval required by ASX Listing Rule 10.1. The Independent Expert's Report comments on the fairness and reasonableness of the Transaction to the non-associated Shareholders. The Independent Expert has determined that the Transaction is **FAIR AND REASONABLE** to the non-associated Shareholders.

DATED: 10 FEBRUARY 2011

BY ORDER OF THE BOARD

**ELIZABETH LEE
JOINT COMPANY SECRETARY**

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the General Meeting to be held at 10.00am (MYT) on 15 March 2011 at Grand Millennium Kuala Lumpur, 160 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia.

This purpose of this Explanatory Statement is to provide information, which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

1. RESOLUTION 1 – ACQUISITION OF A SUBSTANTIAL ASSET – PALM OIL PLANTATION

1.1 Background

As at the date of this Notice the Company owns 47.71% of Phosphate Resources Limited (ACN 009 396 543) (**PRL**). PRL mines and exports phosphate from Christmas Island and also has wholly owned subsidiaries involved in fuel and earthmoving operations on Christmas Island. The phosphate is primarily sold as raw materials for fertiliser production or as a direct application product to palm oil plantations.

The Company also owns 100% of XiFeng International Pte Ltd, an entity registered in Singapore, which in turn holds an interest in Phosphate Resources (HuaLin) Pte Ltd, an entity registered in China, which holds interests in three phosphate mines in China.

PRL's current mining tenure on Christmas Island expires in 2019 and the economic life of the mine is also nearing completion. Therefore, for PRL to continue building shareholder value, it must consider investment in alternative sustainable businesses.

As previously announced by the Company to ASX, PRL has recently sought additional mining leases on Christmas Island to extend phosphate export operations but was unsuccessful. Subsequently, PRL has been considering alternative business opportunities, both through diversification of existing activities and extension of value into current industry sectors, to ensure its survival as a dividend producing entity after mining on Christmas Island ceases.

1.2 Acquisition

As announced by the Company to ASX on 14 December 2010 and in line with the stated intention of PRL to consider alternative business opportunities, PRL proposes to enter into an agreement with Sendi Unik Sdn Bhd (**Vendor**), an entity registered in Malaysia, to acquire 100% of the issued capital of Cheekah-Kemayan Plantations Sdn Bhd (**CKP**), an entity registered in Malaysia (**Acquisition Agreement**).

CKP is the owner of a producing palm oil plantation estate of approximately 4,000 acres in Pahang in peninsular Malaysia (**Plantation**) and a mill and processing facility (**Mill**) servicing its plantation as well as surrounding estates (together the **Assets**). For further information in relation to CKP and the Assets refer to Section 6 of the Independent Expert's Report set out in Annexure A and for information on the palm oil industry refer to Section 7 of the Independent Expert's Report.

The material terms of the Acquisition Agreement are as follows:

- (a) (**Conditions precedent**): The Acquisition remains conditional upon the satisfaction or waiver of the following conditions precedent:

- (i) **Shareholder, regulatory and third party approval:** PRL, the Vendor, CKP and the Company have obtained all necessary shareholder, regulatory and third party approvals in relation to the Acquisition;
- (ii) **Loan finance:** PRL obtaining loan finance from OCBC Bank (Malaysia) Berhad or another bank licensed in Malaysia for an amount of not less than US\$30 million over not less than 5 years on the security of the shares in CKP and subject to terms and conditions acceptable to PRL in its sole and absolute discretion;
- (iii) **Management agreement:** the execution of the Management Agreement (refer to Resolution 2);
- (iv) **Employees:** All employees of CKP being transferred to the manager under the Management Agreement on the same terms and conditions as at the date of the Acquisition Agreement and settlement of all outstanding obligations relating to the transferred employees,

on or before 31 March 2011 or a later date agreed by the parties.

- (b) **(Consideration):** PRL will satisfy the consideration for the Acquisition through:
 - (i) the payment of cash to the Vendor at settlement of the Acquisition in the amount of RM145mn (approximately \$46.78mn at the exchange rate as at 4 February 2011); and
 - (ii) the payment of cash to the Vendor within 14 days of settlement of the Acquisition equal to the value of inventory of CKP at the settlement date less any unpaid tax and other liabilities incurred before settlement and the estimated tax payable on profits achieved from 1 January 2011 to the date of settlement.
- (c) **(Profit Share Arrangement):** PRL shall pay to the Vendor RM1,666,666 (approximately \$537,700 at the exchange rate as at the 4 February 2011) in each calendar year between 1 January 2011 and 31 December 2015 that the average crude palm oil selling price exceeds RM3,000 (approximately \$970) per tonne, but only to a maximum of three annual payments.
- (d) **(Warranties):** The Acquisition Agreement contains standard warranties and representations on behalf of the Vendor typical for an agreement of this nature.
- (e) **(Other):** The Acquisition Agreement otherwise contains terms and conditions typical for an agreement of this nature.

1.3 ASX Listing Rule 10.1

ASX Listing Rule 10.1 provides that an entity must ensure that neither it, nor any of its child entities, acquires a substantial asset from, or disposes of a substantial asset to, amongst other persons, a substantial holder or one of its associates, without the prior approval of holders of the entity's ordinary shareholders.

Child entity

For the purpose of the ASX Listing Rules, a child entity is:

- (a) an entity which is controlled by a body corporate within the meaning of section 50AA of the Corporations Act; or
- (b) an entity which is a subsidiary of the body corporate.

For the purpose of Section 50AA of the Corporations Act, an entity controls another entity if it has the capacity to determine the outcome of decisions about the other entity's financial and operating policies. In assessing whether an entity has this capacity it is the practical influence the entity can exert (rather than the rights it can enforce) and the practice or pattern of behaviour affecting the other entity's financial or operating policies that are relevant factors to be considered.

On the basis of the interest the Company holds in PRL (47.71%), the Board (with the guidance of the Company's auditors together with the board of PRL) have formed the view that the Company controls PRL and as such PRL is a child entity of the Company for the purposes of the ASX Listing Rules.

Substantial asset

For the purposes of ASX Listing Rule 10.1, an asset is substantial if its value, or the value of the consideration for it is, or in ASX's opinion is, 5% or more of the equity interests of the entity as set out in the latest accounts given to ASX under the ASX Listing Rules.

The consideration payable under the Acquisition Agreement is RM145mn (approximately \$46.78mn at the exchange rate as at 4 February 2011) plus or minus inventory and tax adjustments.

The equity interests of the Company as set out in the latest accounts given to ASX under the ASX Listing Rules (being for the financial year ending 30 June 2010) were \$73.911mn.

As the consideration is 5% or more of the equity interests, the Acquisition is for a substantial asset.

Substantial shareholder (or associate)

For the purposes of ASX Listing Rule 10.1, a substantial shareholder is a person who has a relevant interest (either directly or through its associates), or had at any time in the 6 months before the transaction, in at least 10% of the total votes attaching to the voting securities.

For the purposes of ASX Listing Rule 10.1, an associate includes an entity that controls a body corporate.

Prosper Trading Sdn Bhd is an associate of the Vendor as it controls the Vendor. In addition, Prosper Trading Sdn Bhd is a substantial holder of the Company by virtue of its relevant interest in 13,779,876 Shares or 18.91% of the voting Shares. Therefore, the Acquisition is from an associate of a substantial shareholder of the Company.

Requirement for shareholder approval

On the basis that:

- (a) PRL is a child entity;
- (b) the Acquisition is for a substantial asset; and
- (c) the Vendor is an associate of a substantial shareholder of the Company,

the Company is required to seek Shareholder approval under ASX Listing Rule 10.1 in respect of the Acquisition.

1.4 Independent Expert's Report

ASX Listing Rule 10.10.2 requires a notice of meeting containing a resolution under ASX Listing Rule 10.1 to include a report on the transaction from an independent expert.

The Independent Expert's Report set out in Annexure A sets out a detailed independent examination of the proposed Acquisition to enable non-associated Shareholders to assess the merits and decide whether to approve the Acquisition.

To the extent that it is appropriate, the Independent Expert's Report sets out further information with respect to the Acquisition and concludes that it is **fair and reasonable** to the non-associated Shareholders.

Shareholders are urged to carefully read the Independent Expert's Report to understand its scope, the methodology of the valuation and the sources of information and assumptions made.

1.5 Assessment of the Acquisition

Advantages

The Directors (other than Mr Tee Lip Sin who is also a director of the Vendor) are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on Resolution 1:

- (a) the opportunity to diversify and expand the current focus of PRL an industry with synergies with its existing phosphate fertiliser business;
- (b) CKP is an existing operating business with a history of recording profits;
- (c) the management of the Plantation will be performed by an associate of an established and successful palm oil plantation company (who is also a substantial shareholder of the Company) which provides the skills and experience required for this industry;
- (d) the interests of Shareholders will not be diluted as the consideration for the Acquisition is cash;
- (e) there are presently no alternative proposals which may provide a greater benefit to Shareholders.

Disadvantages

The Directors (other than Mr Tee Lip Sin who is also a director of the Vendor) are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on Resolution 1:

- (a) the Acquisition involves additional risks, including but not limited to:
 - (i) the trading performance of the Plantation is vulnerable to adverse weather conditions;
 - (ii) as a market commodity, palm oil is exposed to fluctuations in its sale price in line with market conditions many of which are beyond the control of the Company; and

- (iii) as CKP is an entity in Malaysia, there is exposure to exchange rate fluctuations and volatility which may impact on the financial results recorded in Australia as the income and expenditure of the Company are and will be taken into account in Australian currency,

and current Shareholders may only want exposure to the Company's existing assets and the Acquisition will result in unwanted diversification of the asset portfolio.

1.6 Recommendations of Directors

The Directors (other than Mr Tee Lip Sin who is also a director and shareholder of the Vendor and Siak Yeong Phuar who is also a shareholder of the Vendor) do not have any material personal interests in the outcome of Resolution 1 other than as a result of their interest arising solely in the capacity as Shareholders and recommend that Shareholders vote in favour of the Resolution as they consider the Acquisition to be in the best interests of Shareholders for the following reasons:

- (a) after assessment of the advantages and disadvantages referred to in Section 1.5 of this Explanatory Statement the Directors (other than Mr Tee Lip Sin) are of the view that the advantages outweigh the disadvantages; and
- (b) the Independent Expert has determined the Acquisition to be **fair and reasonable** to the non-associated Shareholders.

If the Acquisition and Transaction are not approved by Shareholders, PRL and the Company will continue to investigate business opportunities which will deliver positive cash flows and build Shareholder value.

2. RESOLUTION 2 – DISPOSAL OF A SUBSTANTIAL ASSET – MANAGEMENT AGREEMENT

2.1 Background

As outlined in Section 1.2(a)(iv) of this Explanatory Statement, it is a condition of the Acquisition Agreement that CKP enter into a management agreement with respect to the Assets.

2.2 Transaction

CKP proposes to enter into an agreement with PGC Management Services Sdn Bhd (**Manager**), an entity registered in Malaysia, to manage the operations of the Assets, including provision of supervision, labour and operational supplies to undertake work on the Plantation and operate the Mill as well as maintain the Plantation and its plant and equipment (**Management Agreement**).

The material terms of the Management Agreement are as follows:

- (a) (**Conditions precedent**): The Transaction remains conditional upon the satisfaction or waiver of the following conditions precedent:
 - (i) **Settlement of the Acquisition**: all conditions precedent to the Acquisition Agreement being satisfied or waived;
 - (ii) **Shareholder, regulatory and third party approval**: CKP, PRL, the Company and the Manager have obtained all necessary

shareholder, regulatory and third party approvals in relation to the Transaction;

- (b) **(Term)**: The initial term is 3 years and may be renewed or extended at the election of CKP by giving not less than 12 months notice prior to the expiry of the term.
- (c) **(Fee)**: CKP must pay to the Manager:
 - (i) RM180 per tonne (approximately \$58.10 at the exchange rate as at 4 February 2011) of fresh fruit bunches of the oil palm delivered to the Mill from the Plantation; and
 - (ii) RM40 per tonne (approximately \$12.90) of fresh fruit bunches of the oil palm processed by the Mill (including those delivered from the Plantation) **(Mill Management Fee)**,plus any tax levied on the Fees.
- (d) **(Fee review)**: The Manager may request a review of the Fees if the costs of labour, fuels or fertiliser increase in any calendar year.
- (e) **(Bonus payments)**: The Mill Management Fee may be increased by the following amounts subject to meeting certain performance conditions:
 - (i) RM3.25 per tonne (approximately \$1.10 at the exchange rate as at 4 February 2011) for a month where the crude palm oil extraction rate for that month averages above 20%; and
 - (ii) RM15.50 per tonne (approximately \$5.15) for a month where the crude palm oil monthly weighted average sale price achieved is RM3,000 per tonne (approximately \$970) for that month.
- (f) **(Imprest Account)**: CKP must maintain an imprest account, which shall have a sum of RM10mn (approximately \$3.326mn at the exchange rate as at 4 February 2011) to its credit per month.

2.3 ASX Listing Rule 10.1

A summary of ASX Listing Rule 10.1, child entity, substantial asset and substantial shareholder (or associate) is set out in Section 1.3 of this Explanatory Statement.

On the basis that:

- (a) CKP is a child entity;
 - PRL, which as set out in Section 1.3 of this Explanatory Statement is itself a child entity of the Company, will, following settlement of the Acquisition, own 100% of the issued capital of CKP.
- (b) the Transaction involves the disposal of a substantial asset; and
 - based on historical production figures of the Plantation and Mill the projected payments over the term of the Management Agreement are potentially 5% or more of the equity interests of the Company.
- (c) the Manager is an associate of a substantial shareholder of the Company,

- Prosper Trading Sdn Bhd is an associate of the Manager as it controls the Manager. In addition, Prosper Trading Sdn Bhd is a substantial holder of the Company by virtue of its relevant interest in 13,779,876 Shares or 18.91% of the voting Shares. Therefore, the Transaction is with an associate of a substantial shareholder of the Company.

the Company is required to seek Shareholder approval under ASX Listing Rule 10.1 in respect of the Transaction.

2.4 Independent Expert's Report

ASX Listing Rule 10.10.2 requires a notice of meeting containing a resolution under ASX Listing Rule 10.1 to include a report on the transaction from an independent expert.

The Independent Expert's Report set out in Annexure A sets out a detailed independent examination of the proposed Transaction to enable non-associated Shareholders to assess the merits and decide whether to approve the Transaction.

To the extent that it is appropriate, the Independent Expert's Report sets out further information with respect to the Transaction and concludes that it is **fair and reasonable** to the non-associated Shareholders.

Shareholders are urged to carefully read the Independent Expert's Report to understand its scope, the methodology of the valuation and the sources of information and assumptions made.

2.5 Assessment of the Transaction

In assessing whether the terms of the Management Agreement are commercial, a written quote for the provision of similar management services was obtained from an alternative provider who is a subsidiary of a major oil palm plantation company in Malaysia.

The Independent Expert's Report includes a detailed independent comparison to the Alternative Proposal.

2.6 Recommendations of Directors

The Directors (other than Mr Tee Lip Sin who is also a director and shareholder of the Vendor and Siak Yeong Phuar who is also a shareholder of the Vendor) do not have any material personal interests in the outcome of Resolution 2 other than as a result of their interest arising solely in the capacity as Shareholders and recommend that Shareholders vote in favour of the Resolution as they consider the Transaction to be in the best interests of Shareholders for the following reasons:

- after assessment of the alternative proposal noted in Section 2.5 of this Explanatory Statement the terms of the Management Agreement are considered to be more favourable; and
- the Independent Expert has determined the Transaction to be **fair and reasonable** to the non-associated Shareholders.

3. ENQUIRIES

Shareholders are requested to contact the Company on (+ 61 8) 6310 5040 if they have any queries in respect of the matters set out in these documents.

GLOSSARY

\$ means Australian dollars.

Acquisition means the acquisition of CKP by PRL pursuant to the terms and conditions of the Acquisition Agreement.

Acquisition Agreement means the agreement between PRL and the Vendor in respect of the acquisition of 100% of the issued capital in CKP.

Assets means the Plantation and Mill.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

CKP means Cheekah-Kemayan Plantations Sdn Bhd, an entity registered in Malaysia.

Company means CI Resources Limited (ACN 006 788 754).

Constitution means the Company's constitution.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice of Meeting.

General Meeting or **Meeting** means the meeting convened by the Notice.

Independent Expert means RSM Bird Cameron Corporate Pty Ltd (ACN 050 508 024).

Independent Expert's Report means the independent expert's report prepared by the Independent Expert as annexed to this Notice as Annexure A.

Manager means PGC Management Services Sdn Bhd, an entity registered in Malaysia.

Management Agreement means the agreement between CKP and the Manager in respect of the provision of services to manage the operations of the Assets.

Mill means the mill and processing plant owned by CKP.

MYT means Malaysian Time as observed in Kuala Lumpur, Malaysia.

Notice or **Notice of Meeting** or **Notice of General Meeting** means this notice of general meeting including the Explanatory Statement and the Proxy Form.

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Plantation means the palm oil plantation owned by CKP.

PRL means Phosphate Resources Limited (ACN 009 396 543).

Proxy Form means the proxy form accompanying the Notice.

Resolutions means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

RM means Malaysian ringgit.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

Transaction means the transaction contemplated by the Management Agreement.

Vendor means Sendi Unik Sdn Bhd, an entity registered in Malaysia.

PROXY FORM

**APPOINTMENT OF PROXY
CI RESOURCES LIMITED
ACN 006 788 754**

GENERAL MEETING

I/We

of

being a member of CI Resources Limited entitled to attend and vote at the General Meeting, hereby

Appoint

Name of proxy

OR

☐

the Chair of the General Meeting as your proxy

or failing the person so named or, if no person is named, the Chair of the General Meeting, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, as the proxy sees fit, at the General Meeting to be held at 10.00am (MYT), on 15 March 2011 at Grand Millennium Kuala Lumpur, 160 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia, and at any adjournment thereof.

If no directions are given, the Chair will vote in favour of all the Resolutions.

☐

If the Chair of the General Meeting is appointed as your proxy, or may be appointed by default, and you do **not** wish to direct your proxy how to vote as your proxy in respect of **Resolutions 1 and 2** please place a mark in this box.

By marking this box, you acknowledge that the Chair of the General Meeting may exercise your proxy even if he has an interest in the outcome of Resolution 1 and that votes cast by the Chair of the General Meeting for Resolutions 1 and 2 other than as proxy holder will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on Resolutions 1 and 2 and your votes will not be counted in calculating the required majority if a poll is called on Resolutions 1 and 2.

OR

Voting on Business of the General Meeting

Resolution 1 – Acquisition of a substantial asset – Palm Oil Plantation
Resolution 2 – Disposal of a substantial asset – Management Agreement

FOR	AGAINST	ABSTAIN
☐	☐	☐
☐	☐	☐

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is _____ %

Signature of Member(s):

Date: _____

Individual or Member 1

Member 2

Member 3

Sole Director/Company Secretary

Director

Director/Company Secretary

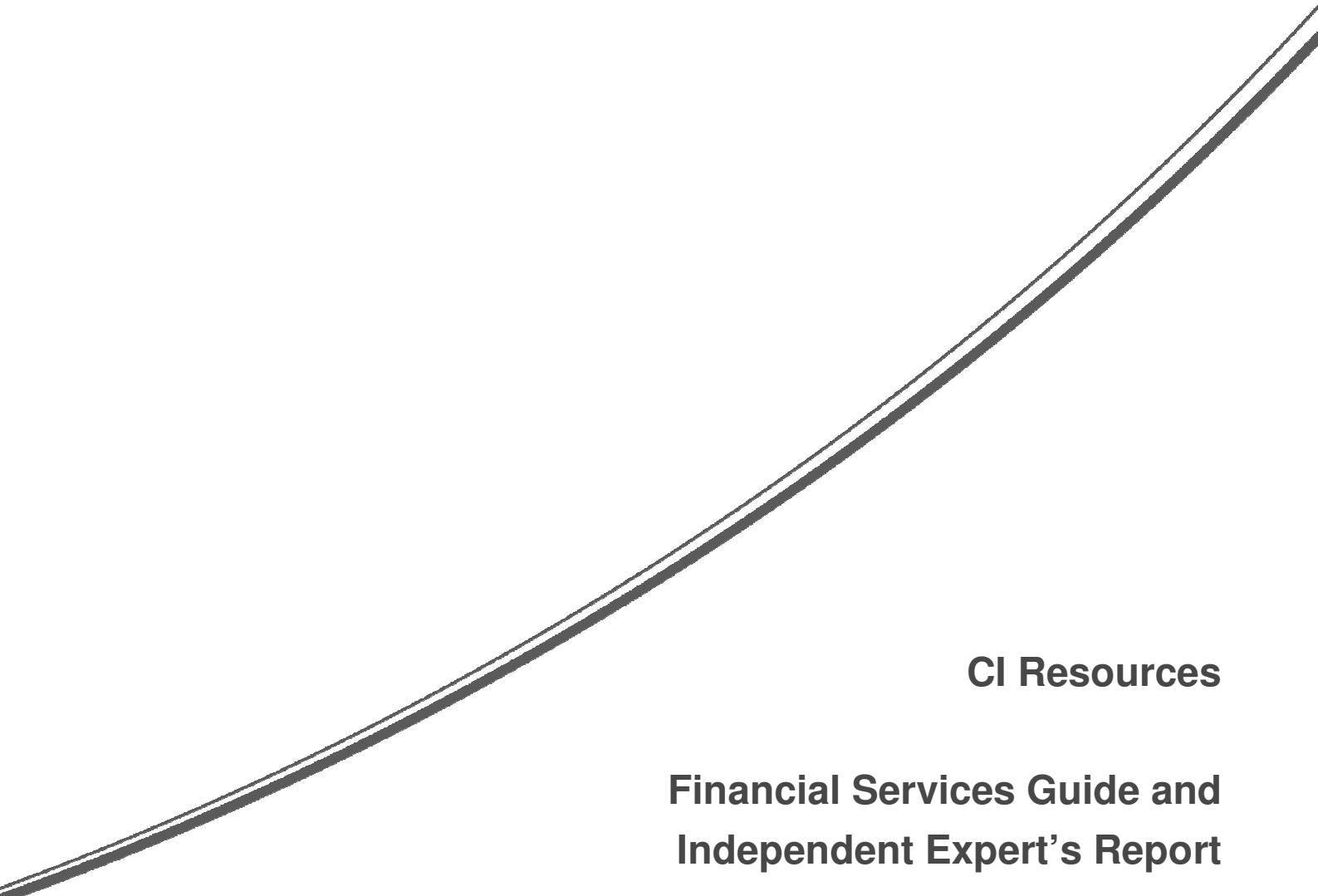
Contact Name: _____ **Contact Ph (daytime):** _____

CI RESOURCES LIMITED
ACN 006 788 754

Instructions for Completing 'Appointment of Proxy' Form

1. **(Appointing a Proxy):** A member entitled to attend and vote at the General Meeting is entitled to appoint not more than two proxies to attend and vote on a poll on their behalf. The appointment of a second proxy must be done on a separate copy of the Proxy Form. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If a member appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes. A duly appointed proxy need not be a member of the Company.
2. **(Direction to Vote):** A member may direct a proxy how to vote by marking one of the boxes opposite each item of business. Where a box is not marked the proxy may vote as they choose. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing Instructions):**
 - **(Individual):** Where the holding is in one name, the member must sign.
 - **(Joint Holding):** Where the holding is in more than one name, all of the members should sign.
 - **(Power of Attorney):** If you have not already provided the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.
 - **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual members from attending the General Meeting in person if they wish. Where a member completes and lodges a valid Proxy Form and attends the General Meeting in person, then the proxy's authority to speak and vote for that member is suspended while the member is present at the General Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
 - (a) post to CI Resources Limited, 884 Canning Hwy, Applecross WA 6153; or
 - (b) facsimile to the Company on facsimile number +61 8 9364 7333,so that it is received not less than 48 hours prior to commencement of the Meeting.

Proxy forms received later than this time will be invalid.



CI Resources

**Financial Services Guide and
Independent Expert's Report**

February 2011

Financial Services Guide

RSM Bird Cameron Corporate Pty Ltd ABN 82 050 508 024 ("RSM Bird Cameron Corporate Pty Ltd" or "we" or "us" or "ours" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ("FSG"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence, Licence No 255847;
- remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence, which authorises us to provide financial product advice in relation to:

- deposit and payment products limited to:
 - (a) basic deposit products;
 - (b) deposit products other than basic deposit products.
- interests in managed investments schemes (excluding investor directed portfolio services); and
- securities (such as shares and debentures).

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

RSM Bird Cameron Corporate Pty Ltd

AFS Licence No 255847

Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither RSM Bird Cameron Corporate Pty Ltd, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees

All our employees receive a salary.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and relationships

RSM Bird Cameron Corporate Pty Ltd is beneficially owned by the partners of RSM Bird Cameron, a large national firm of chartered accountants and business advisers. Our directors are partners of RSM Bird Cameron Partners.

From time to time, RSM Bird Cameron Corporate Pty Ltd, RSM Bird Cameron Partners, RSM Bird Cameron and / or RSM Bird Cameron related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

Complaints Resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, RSM Bird Cameron Corporate Pty Ltd, P O Box R1253, Perth, WA, 6844.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ("FOS"). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website or by contacting them directly via the details set out below.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Toll Free: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au

Contact Details

You may contact us using the details set out at the top of our letterhead on page 1 of this report.

Independent Expert's Report

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AJG/NEM

8 February 2011

The Directors
CI Resources Limited
13 Mount Eden Lane
OAKFORD WA 6121

Dear Sirs

Independent Expert's Report

1. Introduction

- 1.1. This report has been prepared to accompany the Notice of Meeting and Explanatory Statement for Shareholders for the Meeting of CI Resources ("CI Resources" or "the Company") to be held on 15 March 2011 at which Shareholder approval will be sought for Resolutions 1 and 2 for the following transactions ("the Proposed Transactions"):-

Resolution 1 –

"To consider, and if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

That, subject to the passing of Resolution 2, for the purpose of ASX Listing Rule 10.1 and for all other purposes, approval is given for Phosphate Resources Limited (a child entity of the Company), to acquire 100% of the issued capital of Cheekah-Kemayan Plantations Sdn Bhd, an entity registered in Malaysia, being the owner of, amongst other things, a palm oil plantation in Malaysia, pursuant to the terms and conditions of the Acquisition Agreement."

Resolution 2 –

"To consider, and if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

That, subject to the passing of Resolution 1, for the purpose of ASX Listing Rule 10.1 and for all other purposes, approval is given for Cheekah-Kemayan Plantations Sdn Bhd (a child entity of the Company following settlement of the Acquisition Agreement) to make the payments set out in the terms and conditions of the Management Agreement."

- 1.2. The vendor of Cheekah-Kemayan Plantations Sdn Bhd (“CKP”) is an associated company of a significant shareholder of CI Resources. Following the acquisition, it is proposed that CKP will be operated by PGC Management Services Sdn Bhd (“PGC”) under a management contract; PGC is also an associated company of a significant shareholder of CI Resources.
- 1.3. The Directors have therefore requested that RSM Bird Cameron Corporate Pty Ltd, being independent and qualified for the purpose, express an opinion as to whether the Proposed Transactions are fair and reasonable to Shareholders not associated with the Proposed Transactions (“the Non-Associated Shareholders”).

2. Summary and Conclusion

- 2.1. In our opinion, and for the reasons set out in Sections 11 and 12 of this report, the Proposed Transactions are **Fair and Reasonable** for the Non-Associated Shareholders of CI Resources.

Fairness

Acquisition of CKP

- 2.2. Our assessed values of CKP and the consideration to be paid for the acquisition of CKP are set out in Sections 9 and 11, and summarised in the table below:

RM million	Ref.	Assessed Value	
		Low	High
Value of Consideration	11.2	135.1	135.1
Value of CKP	9.46	136.9	136.9

Table 1: Valuation Summary

- 2.3. As the value of the asset to be acquired is greater than the value of consideration to be paid, we consider the acquisition of CKP to be **Fair** to the Non-Associated Shareholders of CI Resources.

Management Agreement

- 2.4. The analysis undertaken in Section 10 indicates that the management contract offer from PGC:
- Is significantly cheaper than an alternative provider's offer;
 - Has a preferable risk profile than an alternative provider's offer; and
 - Is equal to the historic costs incurred, when applied retrospectively.
- 2.5. On this basis, the PGC Management Agreement is considered to be **Fair** to the Non-Associated Shareholders of CI Resources.

Reasonableness

- 2.6. As the Proposed Transactions are fair, they are considered to be reasonable in accordance with the guidance provided by the Australian Securities and Investment Commission ("ASIC"). However, we have also considered the following factors in our assessment:
- The future prospects of the Company if the Proposed Transactions do not proceed; and
 - Any other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transactions proceeding.
- 2.7. The economic and licensed life of the phosphate mine on Christmas Island operated by the Company's subsidiary, Phosphate Resources Limited ("PRL"), and therefore the primary operational aspect of the Company, is nearing completion. For the Company to continue building shareholder value, it must consider investment in alternative sustainable businesses.
- 2.8. If the Proposed Transactions do not proceed, PRL and CI Resources will continue to investigate business opportunities which will deliver positive cash flows and build shareholder value.

2.9. The key advantages of the Proposed Transactions are:

- The Proposed Transactions are fair;
- The ownership interest of existing shareholders will not be diluted as the acquisition is a cash transaction;
- Shareholders are provided with diversification into agribusiness whilst creating synergies with the existing phosphate fertiliser business;
- CKP is an established business with a proven track record of profit generation and unexpired leases of at least 55 years;
- The palm oil industry is a growth sector and Malaysia is a leading exporter to the emerging economies of India and China;
- The Proposed Transactions allow CI Resources shareholders to participate in the future growth and development of CKP;
- A significant shareholder of CI Resources, Prosper Trading Sdn Bhd ("Prosper"), is a well-established, successful palm oil plantation company and will be providing skills and experience through a related management company to manage the plantation business;
- Malaysia has a relatively low level of sovereign risk for foreign investors; and
- The plantation is logistically convenient to management in Perth, being only two hours from Kuala Lumpur and in the same time zone as Perth.

2.10. The key disadvantages of the Proposed Transactions are:

- The current management of PRL have no experience in the palm oil industry, although this risk is, in part, mitigated by the use of a management company;
- The trading performance of the plantation is vulnerable to weather conditions;
- The main product is a market commodity and therefore the selling price will fluctuate in line with market forces;
- CKP is a trading entity in Malaysia therefore fluctuations in the exchange rate may impact on the financial results recorded in Australia;
- Whilst Malaysia is a relatively stable country, all investment in foreign countries involves some element of political risk; and
- The Management Agreement contract increases PRL's dependence on the Prosper relationship.

2.11. Although CI Resources' share price has increased since the announcement of the Proposed Transactions, there were only two trades and therefore we do not consider that the data is representative enough to be relied upon.

2.12. We are not aware of any alternative proposals which may provide a greater benefit to the Non-Associated Shareholders of CI Resources at this time.

2.13. In the absence of any other relevant information and/or a superior offer, we consider that the Proposed Transactions are **Reasonable** for the Non-Associated Shareholders of CI Resources.

3. Summary of Proposed Transactions

- 3.1. On 14 December 2010, the Company announced that its 47.71% owned subsidiary, PRL, had announced preliminary Board approval for a proposed acquisition of a business in the agri-business sector in Malaysia.
- 3.2. In line with the stated intention of both CI Resources and PRL to consider alternative business opportunities, the Board of PRL gave preliminary approval to the acquisition of CKP for RM (Malaysian Ringgit) 145 million, which equates to approximately \$47.1 million at today's exchange rate of RM 1 : AUD\$ 0.325.
- 3.3. The main assets of CKP are a producing palm oil plantation estate of approximately 4,000 acres in Pahang in peninsular Malaysia ("the Plantation") and a mill and processing facility servicing the Plantation and surrounding estates ("the Mill").
- 3.4. It is proposed that continuing management of the business will be provided under contract by a management company associated with Prosper, a significant shareholder of CI Resources, ("the Management Agreement").

Acquisition of CKP

- 3.5. PRL proposes to enter into a Share Sale Agreement ("SSA") with Sendi Unik Sdn Bhd ("Sendi Unik"), the sole shareholder of CKP. A RM 5 million deposit will be paid on execution of the SSA.
- 3.6. The terms of the SSA state that PRL will acquire 100% of the 5 million shares in CKP for the purchase price of:
- RM 145 million cash; plus
 - Total value of inventory items at completion date and 75% of the cost of fertiliser applications carried out by CKP in the first quarter of 2011; less
 - A sum equal to any unpaid tax and any other unpaid liabilities incurred before the completion date; less
 - A sum equal to the estimated tax payable on profits achieved from 1 January 2011 to completion date.
- 3.7. In addition, a profit share arrangement has been agreed whereby Sendi Unik will receive RM 1,666,666 each calendar year that the average Crude Palm Oil ("CPO") selling price exceeds RM 3,000 per tonne. This profit share is only payable a maximum of 3 times over the 5 years from 1 January 2011, i.e. a total possible payment of RM 5 million.
- 3.8. Completion is expected to occur on 31 March 2011 with specific conditions for completion being:
- Approval of CI Resources shareholders in accordance with the requirements of the ASX Listing Rules;
 - PRL obtaining loan finance from OCBC Bank (Malaysia) Berhad or another bank licensed in Malaysia for an amount of not less than US\$30 million over a period no less than 5 years to part finance the purchase of the shares;
 - Execution of the Management Agreement with PGC to manage the business from completion date;

- Transfer of all CKP employees to PGC on the same terms and conditions;
 - Settlement of all outstanding obligations relating to the transferred employees;
 - Approval of Sendi Unik board and shareholders; and
 - Receipt of all regulatory and third party approvals.
- 3.9. On completion, PRL will acquire the business of CKP as a going concern with the assets, the property, the intellectual property and the inventory but without any liabilities, employees or cash balances in the bank accounts.

Management Agreement

- 3.10. The proposed Management Agreement between CKP and PGC is conditional on the fulfilment of the following conditions:
- Sale of the CKP shares to PRL having been completed;
 - Board and shareholder resolutions of PGC having been approved; and
 - Board and shareholder resolutions of PRL and CI Resources having been approved.
- 3.11. The date of fulfilment of these conditions will be the commencement date of the Management Agreement; the initial term is 3 years with rolling annual renewal periods.
- 3.12. The Management Agreement requires PGC to manage the operations in the Plantation and Mill, provide management services and meet the manager's costs. An imprest account of RM 10 million must be set up by PRL.
- 3.13. PRL will remain liable for the costs of capital expenditure, insurance, licence fees, statutory charges, delivery transport and external brokerage commissions.
- 3.14. The management services include providing all supervision, labour and operational supplies for both the Plantation and the Mill, arranging the purchase of external Fresh Fruit Bunches ("FFB") supplies and the transportation and sale of all CPO, Palm Kernels ("PK") and wastes from the Mill.
- 3.15. The agreed management fee is:
- RM 180 per tonne for all FFB delivered to the Mill from the Plantation ("the Plantation Management Fee"); and
 - RM 40 per tonne for all FFB processed by the Mill (including those delivered from the Plantation) ("the Mill Management Fee").
- 3.16. Two bonus payments have been negotiated to recognise improvements in performance and market conditions:
- If the Oil Extraction Rate ("OER") for CPO for the month averages above 20%, the Mill Management Fee will be increased by RM 3.25 per tonne of FFB processed for that month; and
 - If the CPO sales price for the month averages above RM 3,000, the Mill Management Fee will be increased by RM 15.50 per tonne of CPO sold in that month.

- 3.17. PGC may seek a review of the management fees if the costs of labour, fuels or fertiliser increase in any calendar year. No allowance for annual indexation is included in the contract.
- 3.18. As both transactions are conditional upon the successful completion of the other, for the purposes of our report, we have treated them as one transaction and provide only one opinion to the Non-Associated Shareholders on the Proposed Transactions.

4. Purpose of this Report

ASX Listing Rules

- 4.1. Australian Securities Exchange (“ASX”) Listing Rule 10.1 provides that an entity must ensure that neither it, nor any of its child entities, acquire a substantial asset from, or dispose of a substantial asset to a substantial holder without the prior approval of the entity’s shareholders.
- 4.2. PRL is a subsidiary of the Company as the Company holds 47.71% of the issued share capital of PRL. On the basis of this interest, the Board (together with the guidance of the Company’s auditors) has formed the view that the Company controls PRL. Therefore, PRL is deemed to be a “child entity” of the Company for the purposes of the ASX Listing Rules.
- 4.3. The current owner of CKP is Sendi Unik, a company associated with the Prosper group. Prosper holds direct and indirect interests totalling approximately 19% of the issued share capital of CI Resources and, for the purposes of the ASX Listing Rules, is a “substantial holder” of the Company. In addition, Mr Tee Lip Sin is a common director of CI Resources and Sendi Unik.
- 4.4. For the purposes of ASX Listing Rule 10.1, a “substantial asset” is an asset valued at greater than 5% of the equity interests of a company.
- 4.5. The purchase price of CKP is RM 145 million, which equates to approximately \$47.1 million at today’s exchange rate, and is therefore deemed to be a “substantial asset” for the purposes of the ASX Listing Rules. Therefore, the acquisition of CKP is considered to be an acquisition of a substantial asset by a child entity of the Company from a substantial holder.
- 4.6. The projected annual payment under the Management Agreement is approximately \$5 million and is therefore also deemed to be a “substantial asset” for the purposes of the ASX Listing Rules. Therefore, the Management Agreement transaction is considered to be a disposal of a substantial asset by a child entity of the Company to a substantial holder.
- 4.7. Accordingly, the Company is seeking the approval of holders of CI Resources’ ordinary securities whose votes are not to be disregarded (the Non-Associated Shareholders) for the Proposed Transactions in accordance with ASX Listing Rule 10.1.
- 4.8. Where ASX Listing Rule 10.1 approval is sought, shareholders must be presented with a report on the proposed transaction from an independent expert. The report must state whether the proposed transaction is “fair and reasonable” to Non-Associated Shareholders.

Basis of Evaluation

- 4.9. In determining whether the Proposed Transactions are “fair and reasonable” we have given regard to the views expressed by ASIC in Regulatory Guide 111 Contents of Expert’s Reports (“RG 111”).
- 4.10. RG 111 provides ASIC’s views on how an expert can help security holders make informed decisions about transactions. Specifically it gives guidance to experts on how to evaluate whether or not a proposed transaction is fair and reasonable.
- 4.11. RG 111 states that the expert’s report should focus on:
 - the issues facing the security holders for whom the report is being prepared; and

- the substance of the transaction rather than the legal mechanism used to achieve it.
- 4.12. Although RG 111 does not indicate what is considered “fair and reasonable” in the specific context of an acquisition or disposal by a company of a substantial asset, it does provide some guidance as to the considerations relevant in determining whether a proposed transaction is fair and reasonable.
- 4.13. In assessing whether the Proposed Transactions are fair and reasonable to the Non-Associated Shareholders, the analysis undertaken is as follows:
- A comparison of the fair value of the consideration offered for CKP to the fair value of the assets being acquired – fairness of CKP Acquisition; and
 - An assessment of whether the Management Agreement is being conducted on commercial terms – fairness of the Management Agreement.
- 4.14. We have also considered the advantages and disadvantages of the Proposed Transactions in the event that they proceed or do not proceed including:
- The future prospects of CI Resources if the Proposed Transactions do not proceed; and
 - Any other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transactions proceeding.

5. Profile of CI Resources

Overview

- 5.1. CI Resources is a Western Australian based public company listed on the Australian Securities Exchange (ASX code CII). CI Resources was admitted to the official list on 24 July 1987.
- 5.2. CI Resources has a portfolio of phosphate interests in Australia and China; its key assets are:
- 47.71% interest (1,633,630 shares out of 3,423,507 as at 14 December 2010) in Phosphate Resources Limited, a public unlisted Australian company whose principal activity is mining, processing and sale of phosphate rock and phosphate dust from its 100%-owned phosphate mine on Christmas Island; and
 - 100% interest in XiFeng International Pte Ltd ("XiFeng"), a Singaporean company, which in turn holds an interest in Phosphate Resources (HuaLin) Pte Ltd, a Chinese company with interests in three phosphate mines in China.

Phosphate Resources Limited

- 5.3. PRL has mined and exported phosphate from Christmas Island since 1991 and is a leading producer of phosphate rock in the South East Asia region. It supplies Malaysia, Indonesia, Australia, New Zealand and Thailand with up to 800,000 tonnes per year.
- 5.4. PRL produces and markets its phosphate under the brand name Christmas Island Rock Phosphate ("CIRP") both in the form of bulk and bagged dust. The phosphate is primarily sold as raw materials for fertiliser production or as a direct application product to Palm Oil plantations.
- 5.5. Phosphate mining commenced on Christmas Island over 100 years ago; PRL was founded in 1990 by the workforce of the previous mining company and commenced operations the following year after re-opening the mine.
- 5.6. Current resources held by PRL on Christmas Island indicate approximately five years of mine production can be maintained. The company recently sought additional mining leases to extend phosphate export operations but was unsuccessful. In addition to the phosphate business, PRL has wholly owned subsidiaries involved in fuel and earthmoving operations on Christmas Island.
- 5.7. PRL has been considering alternative business opportunities, both through diversification of existing activities and extension of value into current industry sectors, to ensure the survival of the company as a dividend producing entity after mining on Christmas Island ceases

Financial Performance

- 5.8. The financial statements of CI Resources for the year ended 30 June 2010 reflected CI Resources and PRL as a consolidated group for the first time, following the determination that PRL was a controlled entity of CI Resources from 1 April 2010. Therefore, for the 2010 financial year, profits from PRL were equity accounted for 9 months and consolidated for 3 months.
- 5.9. The statement of comprehensive income for CI Resources is set out in Table 2 providing the audited results for the years ended 30 June 2009 and 30 June 2010. The comparative results for the year ended 30 June 2009 are not consolidated.

\$000's	Paragraph Ref.	Year ended 30-Jun-10 Consol. <i>Audited</i>	Year ended 30-Jun-09 Company <i>Audited</i>
Continuing operations			
Revenue		21,027	148
Cost of Sales		(14,223)	-
Gross Profit		6,804	148
Other Income		1,024	28
Share of net profits of associates	5.10	1,748	19,976
Net gain on acquisition of subsidiary	5.11	1,649	-
Other expenses	5.13	(4,038)	(3,672)
Finance Costs		(151)	-
Profit for the period before tax		7,036	16,480
Income tax		(1,059)	-
Net profit for the period	5.10	5,977	16,480
Other comprehensive income			
Foreign currency translation		-	530
Total comprehensive income for the period		5,977	17,010
<u>Memo:</u>			
Net profit attributable to members of CI			
Resources		5,746	18,161
Basic and diluted earnings per share (cents)		8.20	24.19

Table 2: Financial Performance for the years ended 30 June 2010 and 2009

- 5.10. Net profit in the year ended 30 June 2009 was significantly boosted by the equity accounted profit from PRL of approximately \$20 million. The phosphate price escalated to unprecedented levels early in the 2009 financial year, resulting in a strong performance by PRL. However, demand and prices subsequently fell rapidly during the global financial crisis therefore the results for the subsequent financial periods were reduced.
- 5.11. As noted above, the financial results for the year ended 30 June 2010 include 3 months of consolidated results from PRL. The results for this year are affected by several consolidation adjustments required for the new accounting treatment of PRL, including a \$0.9 million theoretical gain on consolidation and a \$0.7 million investment write-up.
- 5.12. A breakdown of the profit recorded in the year ended 30 June 2010 is shown below:

	\$
Equity accounted profit of PRL (9 months)	1,748,000
Consolidated profit of PRL (3 months)	1,556,000
Consolidated foreign exchange gain	1,024,000
Gain on consolidation incl. investment write-up	1,649,000
TOTAL	5,977,000

Table 3: Analysis of Profit for the Year Ended 30 June 2010

- 5.13. Other expenses in the year ended 30 June 2009 include a \$3 million impairment charge relating to the full impairment of a joint venture interest in a Chinese fertiliser manufacturing company, Guizhou Tianfeng Chem-Phos Company Ltd, which was held by CI Resources' subsidiary XiFeng.

Financial Position

- 5.14. The table below sets out the audited statement of financial position for CI Resources as at 30 June 2009 and 30 June 2010.

	Paragraph Ref.	30-Jun-10 Consol. Audited	30-Jun-09 Company Audited
Current Assets			
Cash & cash equivalents		28,522	6,738
Trade and other receivables		19,304	18
Derivative financial assets	5.16	5,556	-
Inventories		10,166	-
		<u>63,548</u>	<u>6,756</u>
Non-Current Assets			
Term deposits held to maturity	5.16	22,482	-
Deferred tax assets		6,515	-
Plant & equipment		10,860	-
Mine properties	5.17	5,347	-
Investments accounted for using the equity method		-	25,076
		<u>45,204</u>	<u>25,076</u>
Total Assets		<u>108,752</u>	<u>31,832</u>
Current Liabilities			
Trade and other payables		5,558	64
Interest bearing loans and borrowings	5.18	1,711	-
Income tax liability		4,074	-
Provisions	5.18	2,374	60
		<u>13,717</u>	<u>124</u>
Non-Current Liabilities			
Payables		48	-
Borrowings	5.18	1,954	-
Deferred tax liability		4,705	-
Provisions	5.18	14,417	-
		<u>21,124</u>	<u>-</u>
Total Liabilities		<u>34,841</u>	<u>124</u>
NET ASSETS	5.15	<u>73,911</u>	<u>31,708</u>
Equity			
Contributed equity		17,970	17,970
Reserves		364	364
Retained earnings	5.19	12,820	13,374
Parent interest	5.15	31,154	31,708
Non-controlling interests		42,757	-
TOTAL EQUITY		<u>73,911</u>	<u>31,708</u>

Table 4: Financial Position as at 30 June 2010 and 2009

- 5.15. The equity interest of CI Resources remained stable at approximately \$31 million from 30 June 2009 to 30 June 2010. However, the net assets have increased significantly at 30 June 2010 as a result of the consolidation of 100% of PRL.
- 5.16. The derivative financial asset relates to US\$ forward exchange contracts used as economic hedges. Included within the term deposits held to maturity are \$5.7 million of trust funds and bonds to cover employee entitlements and demolition costs.
- 5.17. The \$5.3 million mine properties asset relates to a 59% interest in a phosphate mining project comprising three mines in China, which a subsidiary of PRL acquired in May 2009.
- 5.18. Borrowings primarily relate to lease liabilities and an insurance premium funding loan of \$0.5 million. Provisions comprise employee entitlements of \$4.5 million, redundancy pay-outs of \$5.3 million and demolition costs of \$6.9 million.
- 5.19. An interim dividend of 2 cents per share was paid on 22 March 2010 and a final dividend of 2 cents per share was paid on 24 September 2010.

Capital Structure

- 5.20. The capital structure of CI Resources as at 30 September 2010 is set out below:

	Number
Total ordinary shares on issue	72,874,102
Top 20 shareholders	68,452,726
Top 20 shareholders as % of shares on issue	93.9%

Table 5: Capital Structure as at 30 September 2010

- 5.21. The five largest shareholders held 83.6% of the shares on issue as at 30 September 2010 as set out in the table below.

Name	No. of Shares	Percentage of Issued Shares (%)
Phillip Securities Pte Ltd	32,756,810	44.95
CCM International Sdn Bhd	12,000,000	16.47
Prosper Trading Sdn Bhd	11,616,000	15.94
Mr Willy See Khiang Teo	2,866,476	3.93
Citicorp Nominees Pty Limited	1,668,717	2.29
Total Top 5	60,908,003	83.58
Others	11,966,099	16.42
Total Ordinary Shares on Issue	72,874,102	100.00

Table 6: Largest Shareholders as at 30 September 2010

- 5.22. The distribution of shareholders in CI Resources as at 30 September 2010 is as follows:

Range	No. of Ordinary Shareholders
1 – 1000	66
1001 – 5,000	79
5001 – 10,000	108
10,001 – 100,000	69
100,001 +	33
	355

Table 7: Distribution of Shareholders as at 30 September 2010

5.23. CI Resources does not have any unlisted securities or share options on issue.

Share Price and Performance

5.24. The daily share price and traded volume of CI Resources from 1 July 2009 to 11 January 2011 is shown in the graph below.



Figure 1: Daily Closing Share Price and Traded Volumes (Source: Bloomberg)

5.25. The share price of CI Resources traded in the range of \$0.80 to \$0.90 for most of the 2010 financial year, before falling steadily from April 2010 onwards in line with the overall market trend.

5.26. On 19 July 2010, the Company disclosed that the Commonwealth Minister for Environment, Heritage and the Arts had rejected PRL's application for additional mining leases on Christmas Island; the share price initially rose after this announcement but then fell to around \$0.60.

5.27. CI Resources has traded between approximately \$0.50 and \$0.60 over the last month.

- 5.28. As a result of the large holdings by key investors, the volume of CI Resources shares traded is very low. In the 50 trading days prior to the announcement of the Proposed Transactions, trades only occurred on 28% of those days with 0.05% of the total issued share capital being traded over the period.

6. Profile of Cheekah-Kemayan Plantations

- 6.1. CKP was acquired by the Prosper Group in 2004. It had previously been owned by MHC Plantation Berhad since 1997 and was known as MHC Kemayan Plantation Sdn Bhd.
- 6.2. CKP has 5 million shares on issue, all of which are owned by Sendi Unik; Mr Tee Lip Sin is a director of Sendi Unik as well as CI Resources. Sendi Unik has numerous shareholders, a number of which are Prosper Group companies.

Overview of Plantation and Operations

- 6.3. CKP is a 4,060 acre palm oil estate with a processing facility in the State of Pahang, approximately two hours drive from Kuala Lumpur, the capital of Malaysia. The property is on leasehold title and consists of 7 individual 99-year leases; the expiry dates range from 2066 to 2073 as shown in the table below.

No.	Lot No.	Area (acres)	Lease Period	Lease Term	Conditions
1	2388, PT	1315	99 years	11 May 1967 to 10 May 2066	Only for use as oil palm plantation
2	4604, PT 2036	455	99 years	30 June 1971 to 28 June 2070	
3	4605, PT 2037	450			
4	2457, PT 2330	340	99 years	31 July 1974 to 30 July 2073	None
5	2458, PT 2327	500			
6	2459, PT 2328	500			
7	2841, PT 2329	500			
Total		4,060			

Table 8: Summary of Leases Held by CKP

- 6.4. The Plantation is fully planted on generally flat to low lying land with all areas in production; it is understood to be second generation plantings aged from 9 to 15 years old. The replanting policy is 25 to 30 years, therefore there is understood to be at least 10 years of production remaining before any replanting is required.
- 6.5. CKP purchases Fresh Fruit Bunches ("FFB") from surrounding estates to supplement its own production and utilise surplus milling capacity. External purchases account for approximately 80% of the Mill's annual throughput.
- 6.6. The Mill was constructed in 1971 but has undergone a number of upgrades since that time, the most recent being after acquisition by the Prosper Group in 2004. The general condition is understood to be good although an independent engineering audit report commissioned in November 2010 states that some upgrading and/or rehabilitation works are necessary to enable the Mill to operate efficiently.
- 6.7. The Mill is licensed to process fruit at 50 metric tonnes per hour (mt/hr). Generally the Mill operates in two shifts for 16 to 20 hours per day; if additional fruit were available then the Mill could increase to 24-hour operations with three shifts.
- 6.8. The palm products of Crude Palm Oil ("CPO") and Palm Kernels ("PK") are currently sold through a managing agent which is also part of the Prosper Group. The key management personnel are employees of the Prosper Group, provided under contract to CKP. Housing is provided for all permanent employees of CKP, both Estate and Mill workers.

Financial Performance

6.9. The financial performance of CKP for the three years ended 31 December 2010 is shown in the table below, extracted from the 2008 and 2009 audited financial reports and the 2010 management accounts.

All RM	Ref.	Year ended 31-Dec-10 <i>Unaudited</i>	Year ended 31-Dec-09 <i>Audited</i>	Year ended 31-Dec-08 <i>Audited</i>
Sales				
CPO		77,674,477	72,840,620	115,478,778
PK		14,835,844	11,619,149	20,868,297
Palm shells		2,135	3,901	7,186
Total sales	6.10	92,512,456	84,463,671	136,354,261
Cost of goods sold				
Opening inventory		2,253,479	2,236,344	4,488,178
Cost of manufacture				
Opening inventory		269,389	7,545	218,344
Purchases - related		17,769,522	37,674,184	54,812,773
Purchases - 3rd party		44,594,679	19,418,761	43,639,914
Less Closing inventory		(45,074)	(269,389)	(7,545)
Estate depreciation		603,393	609,712	607,381
Estate expenses	6.15	6,534,377	8,334,371	10,461,439
Mill depreciation		1,122,227	1,102,347	1,118,196
Mill expenses	6.16	5,384,285	5,275,921	5,808,721
Other manufacturing expenses		467,952	(28,165)	-
Total cost of manufacture		76,700,750	72,125,287	116,659,223
Less Closing inventory		(1,062,018)	(2,253,479)	(2,236,344)
Total cost of goods sold		77,892,211	72,108,152	118,911,057
Gross profit		14,620,245	12,355,518	17,443,203
<i>GP%</i>	6.12	<i>15.8%</i>	<i>14.6%</i>	<i>12.8%</i>
Other operating income	6.17	90,807	124,088	72,906
Trading expenses				
Administration expenses	6.18	427,646	748,945	1,783,914
Selling and distribution costs	6.19	1,617,796	1,943,296	2,375,578
Total trading expenses		2,045,442	2,692,241	4,159,492
Profit before interest and tax		12,665,610	9,787,366	13,356,617
Finance costs		142,115	487,688	980,954
Profit before tax		12,523,495	9,299,678	12,375,663
Taxation	6.20	<i>n/a</i>	2,300,719	3,200,862
Profit after tax	6.20	12,523,495	6,998,959	9,174,801
MEMO:				
Grown FFB (mt)		33,897	39,875	50,459
Purchased FFB (mt)		114,848	137,177	173,580
Total FFB (mt)		148,745	177,052	224,039
<i>Grown FFB as % of Total</i>	6.14	<i>22.8%</i>	<i>22.5%</i>	<i>22.5%</i>
Average Selling Price - CPO	6.10	2,690	2,138	2,768
Purchase Price as % of CPO Selling Price		20.2%	19.5%	20.5%
Productivity - CPO	6.13	19.40%	19.14%	18.73%

Table 9: CKP Financial Performance for the 3 Years ended 31 December 2010

- 6.10. Total sales have fluctuated from RM 136 million in the high volume year of 2008, to RM 84 million in 2009 when the Malaysian industry was affected by recent drought conditions and the lingering effects of a weak global economy. The average CPO selling price fell from RM 2,768 per tonne in 2008 to RM 2,138 in 2009, a decline of almost 30%.
- 6.11. In the 2010 year, management results indicate that sales have improved to RM 92.5 million as a result of a recovery in the CPO market price, despite FFB volumes remaining low.
- 6.12. The gross profit margin has improved from 12.8% in 2008 to 15.8% in the draft 2010 results; this is driven by three main factors:
- an increase in CPO productivity from 18.7% in 2008 to 19.4% in 2010;
 - a small decline in the purchase price of FFB as a percentage of the CPO selling price from 20.5% in 2008 to 20.2% in 2010; and
 - a reduction in Estate Expenses from RM 10.5 million in 2008 to RM 6.5 million in 2010.
- 6.13. CPO productivity is a performance indicator of how much CPO is extracted from the FFB input, i.e. the Oil Extraction Rate or OER. The OER achieved is dependent on the quality of the FFB grown and purchased; Bloomberg states that the overall average OER for CPO in Malaysia was 20.3% in December 2010.
- 6.14. The proportion of FFB purchased from external sources has remained constant at around 77.5% of total input.
- 6.15. The Estate Expenses primarily relate to harvesting, fertilising, farming and maintenance costs. Fertilising accounts for approximately 50% of these costs, therefore the price of fertiliser can potentially have a significant impact on the total Estate Expenses. The reduction in Estate Expenses from 2008 through to 2010 is primarily due to declining maintenance and farming costs following the completion of several large projects such as shade pruning and rat-baiting.
- 6.16. Mill Expenses relate to the manufacturing costs of producing the CPO and PK, comprising labour, diesel fuel, maintenance costs and production levies. These expenses have remained relatively stable over the last three years of trading.
- 6.17. Other income predominantly comprises interest earned on cash balances and deposits.
- 6.18. Administration costs in 2008 were high in comparison to 2009 and 2010 as a result of a RM 780,000 Palm Oil Registration and Licensing Authority ("PORLA") cess (taxation) payment; it appears that this payment has not been included in 2009 and 2010 although we understand that the cess is usually an annual payment to PORLA in Malaysia.
- 6.19. The Selling and Distribution Costs relate to transport costs and brokers commission, therefore total costs reduce in line with the volumes processed and sold.
- 6.20. The income tax calculation has not yet been completed for the 2010 financial results; however, the historic tax rate has been 25% therefore a charge of RM 3.1 million can be estimated. This would reduce the profit after tax to RM 9.4 million, in line with the 2008 results and an improvement on 2009.

Financial Position

6.21. The financial position of CKP for the three years ended 31 December 2010 is shown in the following table, extracted from the 2008 and 2009 audited financial reports and the 2010 management accounts.

All RM	Ref.	As at 31-Dec-10 <i>Unaudited</i>	As at 31-Dec-09 <i>Audited</i>	As at 31-Dec-08 <i>Audited</i>	As at 31-Dec-07 <i>Audited</i>
Current Assets					
Inventories		1,479,578	2,719,462	2,407,118	4,919,363
Trade and other receivables		684,283	3,792,626	9,826,860	7,949,864
Fixed deposits		20,000	30,000	30,000	30,000
Short-term deposit		-	-	4,000,000	-
Cash and bank balances	6.23	6,647,337	11,848,895	7,249,029	6,330,596
		8,831,198	18,390,983	23,513,007	19,229,823
Non-Current Assets					
Property, plant and equipment	6.24	48,481,020	49,210,188	50,118,616	49,796,156
Other investment		-	4,024,456	-	-
		48,481,020	53,234,644	50,118,616	49,796,156
Total Assets		57,312,218	71,625,627	73,631,623	69,025,979
Current Liabilities					
Trade and other payables		3,141,767	12,207,752	11,572,049	9,862,779
Amount owing to holding company	6.25	-	12,119,453	15,499,827	15,499,827
Hire purchase liabilities	6.25	129,558	123,935	140,205	71,648
Term loan		-	5,000,000	6,000,000	6,000,000
Tax liabilities		7,608	538,608	388,349	788,003
		3,278,933	29,989,748	33,600,430	32,222,257
Non-Current Liabilities					
Hire purchase liabilities		-	126,089	250,024	41,589
Term loan		-	-	5,000,000	11,000,000
Deferred tax liabilities	6.26	4,831,140	4,831,140	5,101,514	5,257,319
		4,831,140	4,957,229	10,351,538	16,298,908
Total Liabilities		8,110,073	34,946,977	43,951,968	48,521,165
NET ASSETS	6.22	49,202,145	36,678,650	29,679,655	20,504,814
Shareholders' Equity					
Share capital	6.27	5,000,000	5,000,000	5,000,000	5,000,000
Retained profits		44,202,145	31,678,650	24,679,655	15,504,814
TOTAL EQUITY		49,202,145	36,678,650	29,679,655	20,504,814

Table 10: CKP Financial Position for the 3 Years to 31 December 2010

6.22. The net assets shown in the management accounts at 31 December 2010 are RM 49 million, an increase of RM 12.5 million from the previous year-end, although this is before accounting for income tax as discussed at paragraph 6.20 above.

6.23. CKP had cash balances of RM 6.6 million at 31 December 2010, however these will not form part of the acquisition assets.

- 6.24. The property, plant and equipment balance primarily relates to the leasehold land which is recorded at RM 27 million net book value, and the Mill plant and machinery which is recorded at RM 10 million net book value.
- 6.25. The only debt held by CKP at 31 December 2010 is RM 130,000 of hire purchase liabilities; all inter-company balances have been settled.
- 6.26. The deferred tax liabilities relate to temporary timing differences on the depreciation of the property, plant and equipment.
- 6.27. The share capital is represented by 5 million ordinary shares fully paid at RM 1 each.

7. Industry Profile of Palm Oil

Overview and History

- 7.1. Palm oil is a major component of the global oil and fats trade for food production; it is currently consumed by over 3 billion people in 150 countries.
- 7.2. The oil palm tree originates from West Africa where it grows in the wild and was later developed into an agricultural crop. Each tree bears 8 to 12 fruit bunches annually, each weighing 15kg to 25kg and containing 1000 to 3000 fruits. The trees may grow up to 60 feet in height and will start bearing fruit 30 months after planting; they will continue to be productive for 20 to 30 years.
- 7.3. Palm oil and palm kernel oil are edible plant oils derived from the fruits of oil palm trees; they are classed as highly saturated vegetable fats. Palm oil is extracted from the pulp of the fruit of the oil palm, and palm kernel oil is derived from the kernel (seed) of the oil palm.
- 7.4. Unrefined palm oil is dark red in colour due to a high level of carotenes; the refining process removes smells and coloration to leave a bleached version.
- 7.5. Palm oil is a common cooking oil in southeast Asia and the tropical belt of Africa. The low cost and high oxidative stability of the refined product has increased its use in the commercial food industry of other parts of the world; many processed foods now contain palm oil as an ingredient. About 80% of palm oil produced globally is used in food with the remainder in oleochemicals manufacture and as biodiesel.
- 7.6. A key reason for the low cost of palm oil, when compared to other vegetable oils, is the high yield per hectare. The table below shows the comparison yields of other major oilseeds, with palm oil being over 5 times more productive per hectare than rapeseed and almost 10 times more than soya bean.

Crop	Oil Yield (MT/ha/yr)*
Oil Palm	3.74
Rapeseed	0.67
Sunflower	0.48
Soya bean	0.38
* MT = metric tonnes Ha = hectares	

Table 11: Average Oil Yields (Source: Oil World)

Global Production and Demand

- 7.7. Malaysia and Indonesia alone generate 85% of the world's CPO production, as shown in the table below.

	2009 m MT	As % of total
Indonesia	21.1	46%
Malaysia	17.6	39%
Others	6.7	15%
Total	45.4	100%

Table 12: Global CPO Production in 2009 (Source: Oil World)

- 7.8. In 2009, 45.4 million metric tonnes ("MT") of CPO was produced globally, an increase of 5.2% from the previous year.
- 7.9. Consumption in the same year totalled 45.2 million MT, an increase of 5.8% from 2008. The primary drivers for this increase are rising edible oil demand from the emerging markets of India and China and increasing biodiesel use in Europe and the Americas. India's consumption alone has more than doubled since 2006.
- 7.10. The top individual consumers of CPO are shown in the table below, with India and China accounting for 29% of total global usage.

	2009	
	m MT	As % of total
India	6.8	15%
China	6.2	14%
EU	5.6	12%
Indonesia	4.9	11%
Malaysia	2.4	5%
Others	19.3	43%
Total	45.2	100%

Table 13: Global CPO Consumption in 2009 (Source: Oil World)

- 7.11. Nomura, a leading Asian equity research group, forecast in its October 2010 Palm Oil report that demand for CPO would continue to rise by between 5% and 6% over the next four years.

Malaysian Industry

- 7.12. The oil palm tree was first introduced to Malaysia in the early 1870's with the first commercial plantation developed in 1917. In the 1960's Malaysia's Department of Agriculture established an exchange program with West African economies to commence research and development into oil palm breeding, as part of a drive to reduce the country's economic reliance on rubber and tin.
- 7.13. The Malaysian Palm Oil Board was subsequently founded by the government and is now the top research entity in oil palm tree breeding, palm oil nutrition and potential uses.
- 7.14. Currently there is approximately 4.49 million hectares of land in Malaysia under oil palm cultivation.
- 7.15. Around 75% of palm oil exports from Malaysia are shipped to China, the European Union, Pakistan and India. They are mostly made into cooking oil, margarine, specialty fats and oleochemicals.

Crude Palm Oil Price

- 7.16. The CPO local price for Peninsular Malaysia is recorded by the Malaysian Palm Oil Council ("MPOC"); data for the last two calendar years shows an average price of RM 2,244 per MT in 2009 and RM 2,745 per MT in 2010, an increase of 22% year-on-year.
- 7.17. The following graph shows the monthly trend of CPO prices since January 2009, per MPOC, and also includes the CPO local spot prices for Peninsular Malaysia for the first four months of 2011 as extracted from Bloomberg.

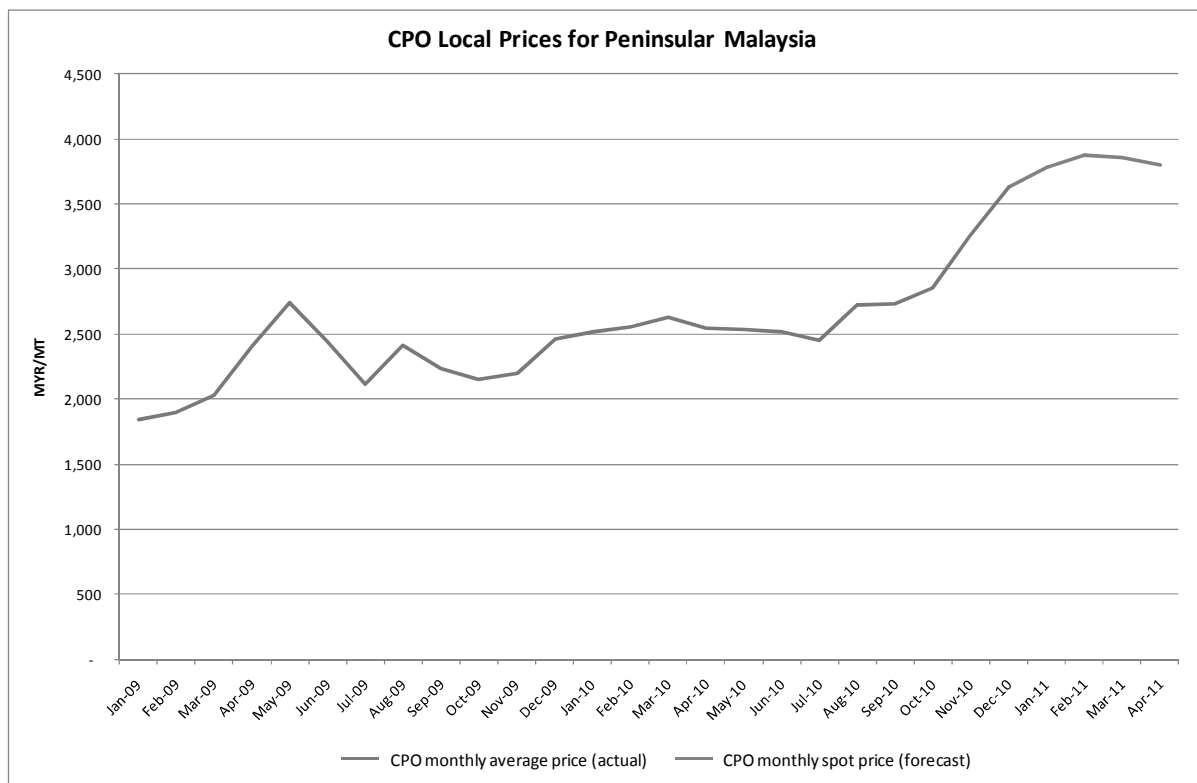


Figure 2: Monthly CPO Prices from January 2009 to April 2011 (Source: MPOC and Bloomberg)

- 7.18. CPO prices increased significantly towards the end of 2010 and are expected to remain bullish in the current calendar year; this is predominantly due to tight supply-demand conditions for global vegetable oils, depreciation of the US dollar and global food inflation.

8. Valuation Approach

Approach to Assessing Fairness

8.1. As previously stated in paragraph 4.13, in assessing whether the Proposed Transactions are fair to the Non-Associated Shareholders we have undertaken the following analysis:

- compared the fair value of the consideration offered for CKP with the fair value of the assets to be acquired; and
- assessed whether the Management Agreement is being conducted on commercial terms.

Valuation Methodologies

8.2. The consideration is in the form of cash and can therefore be valued at its face value.

8.3. In assessing the value of CKP, we have considered a range of valuation methodologies. RG 111 proposes that it is generally appropriate for an expert to consider using the following methodologies:

- the discounted cash flow ("DCF") method and the estimated realisable value of any surplus assets;
- the application of earnings multiples to the estimated future maintainable earnings or cashflows added to the estimated realisable value of any surplus assets;
- the amount which would be available for distribution on an orderly realisation of assets;
- the quoted price for listed securities; and
- any recent genuine offers received.

8.4. We consider that the valuation methodologies proposed by RG 111 can be split into three valuation methodology categories, as follows:

Market Based Methods

8.5. Market based methods estimate the fair market value by considering the market value of a company's securities or the market value of comparable companies. Market based methods include;

- Capitalisation of maintainable earnings;
- The quoted price for listed securities; and
- Industry specific methods.

8.6. The capitalisation of earnings methodology is generally considered a short form DCF, where an estimation of the Future Maintainable Earnings ("FME") of the business, rather than a stream of cash flows is capitalised based on an appropriate capitalisation multiple. Multiples are derived from the analysis of transactions involving comparable companies and the trading multiples of comparable companies.

8.7. The recent quoted price for listed securities method provides evidence of the fair market value of a company's securities where they are publicly traded in an informed and liquid market.

8.8. Industry specific methods usually involve the use of industry rules of thumb to estimate the fair market value of a company and its securities. Generally rules of thumb provide less persuasive evidence of the

fair market value of a company than other market based valuation methods because they may not account for company specific risks and factors.

Discounted Cash Flow Methods

- 8.9. The DCF technique has a strong theoretical basis, valuing a business on the net present value of its future cash flows. It requires an analysis of future cash flows, the capital structure and costs of capital and an assessment of the residual value or the terminal value of the company's cash flows at the end of the forecast period. This method of valuation is appropriate when valuing companies where future cash flow projections can be made with a reasonable degree of confidence.

Asset Based Methods

- 8.10. Asset based methodologies estimate the fair market value of a company's securities based on the realisable value of its identifiable net assets. Asset based methods include:-
- orderly realisation of assets method;
 - liquidation of assets method; and
 - net assets on a going concern basis.
- 8.11. The value achievable in an orderly realisation of assets is estimated by determining the net realisable value of the assets of a company which would be distributed to security holders after payment of all liabilities, including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. This technique is particularly appropriate for businesses with relatively high asset values compared to earnings and cash flows.
- 8.12. The liquidation of assets method is similar to the orderly realisation of assets method except the liquidation method assumes that the assets are sold in a shorter time frame.
- 8.13. The net assets on a going concern method estimates the market values of the net assets of a company but unlike the orderly realisation of assets method it does not take into account realisation costs. Asset based methods are appropriate when companies are not profitable, a significant proportion of the company's assets are liquid, or for asset holding companies.

Selection of Valuation Methodologies

Valuation of CKP

- 8.14. We consider the most appropriate methodologies for valuing CKP to be:
- Net assets on a going concern basis – using independent market valuations of the Plantation and Mill; and
 - Discounted cash flow – using financial projections developed by PRL as the basis of its investment decision.

9. Valuation of Cheekah-Kemayan Plantations

- 9.1. As stated at paragraph 8.14, we have assessed the value of CKP on the basis of the fair value of the underlying assets and have also considered the value of its discounted future cash flows.

Net Assets on a Going Concern Basis

- 9.2. RG 111 envisages the use of an independent specialist when valuing specific assets. To assist in the valuation of the Plantation and Mill, RSMBCC has engaged Jones Lang Wootton ("JLW") in Kuala Lumpur to prepare an independent valuation report on CKP's Plantation and Mill. A copy of JLW's report, dated 8 February 2011, is attached to this report as Appendix 4.
- 9.3. We have satisfied ourselves as to JLW's qualifications and independence from CI Resources and PRL, and have placed reliance on its report.
- 9.4. JLW has valued the Plantation at RM 120 million and the Mill at RM 26 million (under the property valuation guidelines in Malaysia a definite value must be given, not a range), a total of RM 146 million.
- 9.5. For the Plantation, the valuation approach adopted by JLW is the Profits Method (by discounted cash flow) whereby the expected profits for each leasehold area were assessed over its lifetime, taking into account the forecast profit per tonne, yield per hectare and future re-planting costs. We note that the forecast profit per tonne was determined by JLW using its industry knowledge and historic data provided by CKP, not on the basis of full cash flow projections. The future profits were then discounted back to present value at a discount rate of 11% to determine the current market value. This resulted in a total value for the Plantation of RM 120 million which equates to RM 30,040 per acre.
- 9.6. As a cross-check to its primary valuation methodology, JLW also reviewed recent sales of palm oil plantation land to assess whether their determined value per acre was consistent with these transactions. The assessed value is lower than the reviewed sales transactions and therefore appears reasonable.
- 9.7. For the Mill, the expected profits for the next three financial years were forecast and a terminal value included. The future profits were then discounted back to present value at a discount rate of 14% to determine the current market value of RM 26 million.
- 9.8. The remaining assets and liabilities of CKP have been valued at book value using the 31 December 2010 balance sheet as a proxy for the financial position at acquisition, excluding cash balances which are not subject to the acquisition and factoring in the estimated tax payable for 2010.

	RM
Net Assets at 31 December 2010	49,202,145
Less: Estimated tax payable for 2010	<u>(3,130,000)</u>
Adjusted Net Assets at 31 December 2010	46,072,145
Less:	
- Book value of Plantation and Mill	(48,481,020)
- Cash at bank	(6,647,337)
Net Value of Other Assets and Liabilities	<u>(9,056,212)</u>

Table 14: Value of Other Assets and Liabilities

9.9. A summary of the valuation on a net assets basis is shown below:

	RM
Value of Plantation (per JLW Report)	120,000,000
Value of Mill (per JLW Report)	26,000,000
Value of other assets and liabilities	(9,056,212)
Value of CKP on a Net Assets Basis	<u>136,943,788</u>

Table 15: CKP Valuation Summary

9.10. The value of CKP on a net assets on a going concern basis is therefore assessed as RM 136.9 million.

Discounted Cash Flow

9.11. Under the DCF methodology, the value of the business is equal to the net present value ("NPV") of the estimated future cash flows including a terminal value. In order to arrive at the NPV, the future cash flows are discounted using a discount rate which reflects the risks associated with the cash flow stream.

9.12. Therefore, to value CKP using the discounted cash flow methodology requires determination of the following:

- Future cash flows; and
- An appropriate discount rate.

Future Cash Flows

9.13. The financial model used by PRL for investment decision purposes has been provided to us for review, and comprises 10-year production and free cash flow projections commencing on 1 January 2011.

9.14. Free cash flow represents the operating cash flows before interest (i.e. on an ungeared basis), less tax payments, capital expenditure and working capital requirements. The free cash flow on an ungeared basis is adopted to enable the value of the business to be determined irrespective of the level of debt funding employed.

9.15. Our review of the financial model has included:

- Confirmation that the model reflects the terms of the Proposed Transactions and any material contracts that relate to CKP;
- Review of the integrity and accuracy of the calculations in the model; and
- Consideration of the key assumptions in the model and the performance of sensitivity analysis on these assumptions to highlight the impact of movement in these key assumptions on the value of CKP.

9.16. In particular, the following key assumptions in the model have been considered:

- Selling price of CPO and PK;
- Productivity of CPO and PK;

- FFB grown and purchased from third parties;
- Purchase price of FFB;
- Management fee;
- Other costs;
- Capital expenditure; and
- Terminal value.

9.17. We have not undertaken a review of the cash flow forecasts or the financial model in accordance with Australia Auditing Standard AUS 804 "The Audit of Prospective Financial Information" and do not express an opinion on the reasonableness of the assumptions or their achievability. However, nothing has come to our attention as a result of our procedures to suggest that the assumptions on which the forecast are based have not been prepared on a reasonable basis.

Assumptions

9.18. The detailed cash flow projections are not included in our report as they are considered to be commercially sensitive. However, we set out below the key assumptions used in the projections.

Revenue Assumptions

9.19. Revenue is a function of projected commodity selling prices and production volumes.

9.20. The selling price assumptions for CPO and PK are summarised below:

Sales Prices (in real terms)		2011	2012	2013 and onwards
CPO	RM/ Mt	3,000	2,900	2,600
PK	RM/ Mt	2,100	2,030	1,820
- PK as a % of CPO		70.0%	70.0%	70.0%

Table 16: Selling Price Assumptions

9.21. As discussed in Section 7, the market price for CPO has increased significantly over the last 6 months with the average price in Peninsular Malaysia rising above RM 3,000 per tonne in November 2010 and expected to remain above this level for the immediate future; Bloomberg forward prices rise to RM 3,800 in April 2011.

9.22. The assumption of an average of RM 3,000 for the 2011 calendar year therefore appears reasonable with a small reduction in the following year to RM 2,900. We understand that CKP has already received forward orders for 2011 at a rate of RM 3,300 per tonne which further supports this assumption.

9.23. It is noted that, if the average selling price exceeds RM 3,000 in any calendar year, the earn-out payment and bonuses under the Management Agreement become payable. These costs have not been included in the projections but the impact has been assessed as part of our sensitivity analysis.

9.24. The model then assumes that prices fall to a level nearing the 2-year trend of RM 2,600 in 2013 and subsequent years. The decline is assumed to occur as a result of supply-demand conditions relaxing in the industry.

9.25. The selling price of PK is calculated as a percentage of the CPO selling price, given that the market for both products is complementary. The current selling price for PK is approximately 73% of the CPO selling price, therefore the assumption at 70% is consistent with the current level.

9.26. Projected production levels are derived from the FFB input assumptions shown in the table below:

Source		2011	2012	2013 and onwards
Estate Grown	Mt	42,000	42,000	42,000
Purchased	Mt	142,788	149,259	156,243
Total		184,788	191,259	198,243

Table 17: FFB Input Assumptions

9.27. FFB grown by the estate has averaged 41,600 tonnes per annum over the last four years; 2010 yields were low as a result of drought conditions in 2009 but subsequent heavy rainfalls are anticipated to improve yields for the next few years.

9.28. The purchased FFB is based on forecasts provided by CKP management; the 2011 forecast tonnage is in line with the 4-year historic trend of 142,350 tonnes per annum. Growth is projected in the purchased FFB over the subsequent two years as a result of some local plantations reaching maturity and the improved weather conditions.

9.29. The productivity assumptions are constant throughout the projections at 19.25% for CPO and 6.0% for PK, i.e. for every tonne of FFB, 0.19 tonnes of CPO will be produced and 0.06 tonnes of PK. The historic productivity ratios for CKP are summarised below:

	2007	2008	2009	2010	Projected
CPO	18.58%	18.73%	19.14%	19.40%	19.25%
PK	5.80%	6.01%	6.04%	n/a	6.0%

Table 18: Productivity Assumptions

9.30. This shows that the assumption is in line with the trend. Productivity ratios have gradually increased at CKP as a result of maturing palms both on the estate and from major suppliers.

Purchase Price

9.31. The purchase price of FFB is regulated by the Malaysian Palm Oil Board through the enforcement of a specific formula used to calculate the price. This formula takes into account the current selling price for CPO and therefore ensures that all producers participate in market movements.

9.32. The formula applied is:

$$\begin{aligned}
 & \text{(CPO Selling Price – Industry Cess – Transport Cost) x CPO Extraction Rate} \\
 \text{PLUS: } & \text{(PK Selling Price – Transport Cost) x PK Extraction Rate} \\
 \text{LESS: } & \text{Milling Fee}
 \end{aligned}$$

9.33. When applied to the historic and projected results, this results in a gross margin of approximately 80%.

Management Fee

- 9.34. The projected management fee has been determined according to the quoted fees from PGC of RM 180 per tonne for Estate costs and RM 40 per tonne for Mill costs; the results are shown in Section 10.

Other Costs

- 9.35. Foreign company expenses have been included in the projections to reflect the additional labour, insurance and compliance costs which would be incurred under the new structure. These expenses also cover an allowance for independent advisors and audit fees to ensure that the Management Agreement is being carried out effectively and efficiently.
- 9.36. The annual PORLA cess payment has been included in the projections on the basis of the latest payments in 2007 and 2008.
- 9.37. The only other costs which would be incurred by CKP are transportation and external brokerage expenses. Transportation costs have been estimated at RM 38 per tonne which is in line with historic amounts, and the brokerage is also based on the actual expense in recent years.

Taxation

- 9.38. The Malaysian corporate tax rate of 25% has been included.

Capital Expenditure

- 9.39. The projections assume an increased spend in the first year of acquisition of RM 3.7 million followed by RM 2.2 million per annum which is considered by management to be sufficient to maintain both operational efficiencies and health and safety compliance. It is noted that this is higher than the historic spend.

Terminal Value

- 9.40. The terminal value has been calculated on the basis of the last year's projected free cash flow multiplied by $1 / (\text{discount rate less growth rate})$ which is considered to be an appropriate methodology for this business.
- 9.41. The growth rate adopted in the projections is the 6-year average Malaysian Consumer Price Index rate of 2.5% per annum.

Discount Rate

- 9.42. A discount rate of between 11.5% and 13.9% has been used in the valuation. In selecting this range, we have considered:
- The specific business risks of CKP; and
 - The required rate of return for investments in plantation businesses.
- 9.43. A detailed consideration of the selected discount rate is set out in Appendix 3.

Valuation Range and Approach

- 9.44. The key sensitivity in the valuation of CKP is the future sales price of CPO, we have therefore undertaken a sensitivity analysis increasing and decreasing the projected prices by 10%. The results are shown below along with the valuation range based on the unadjusted projections.

NPV - RM millions	Discount Rate		
	13.90%	12.70%	11.50%
CPO Selling Price			
- Base	116.8	130.3	147.5
- Increase by 10%	133.8	149.7	170.0
- Decrease by 10%	95.5	106.5	120.5

Table 19: Valuation Range

- 9.45. We consider that a fair valuation range for CKP based on the Discounted Cash Flow methodology is between RM 116.8 million and RM 147.5 million.

Valuation Summary

- 9.46. A summary of our assessed values of CKP is shown below.

RM million	Low	High
Net Assets on a Going Concern	136.9	136.9
Discounted Cash Flow	116.8	147.5
Preferred Valuation	136.9	136.9

Table 20: CKP Valuation Summary

- 9.47. The assessed value on the basis of Net Assets falls within our assessed range for the Discounted Cash Flow methodology.
- 9.48. We have adopted the Net Assets valuation methodology as our primary basis as this valuation has been conducted by industry experts in the Plantation's locality and therefore brings a degree of experience which the forecast cash flows prepared by PRL management may not.

10. Management Agreement

10.1. As stated at paragraph 8.1, to assess whether the Management Agreement is fair to the Non-Associated Shareholders, we have considered whether the contract is on commercial terms.

10.2. The key terms of the Management Agreement with PGC, a Prosper Group company, are:

- 3-year initial term with rolling annual renewal periods;
- Management services include providing all supervision, labour and operational supplies for both the Plantation and the Mill, arranging the purchase of external FFB supplies and the sale of all CPO, PK and wastes from the Mill;
- Plantation Management Fee of RM 180 per tonne for all FFB delivered to the Mill from the Plantation;
- Mill Management Fee of RM 40 per tonne for all FFB processed by the Mill (including those delivered from the Plantation);
- Ability to seek fee review if labour, fuel or fertiliser costs increase in any calendar year;
- Bonus payment on Mill Management Fee of RM 3.25 per tonne of FFB processed in any month that the OER for CPO averages above 20%; and
- Bonus payment on Mill Management Fee of RM 15.50 per tonne of CPO sold in any month that the CPO sales price averages above RM 3,000.

Comparison to Alternative Provider

10.3. To assess whether these terms are commercial, a proposal for the provision of management services has also been obtained from an alternative provider, a subsidiary company of a major oil palm plantation company in Malaysia, which for confidentiality reasons will be referred to as "B Company".

10.4. PRL attended a meeting with B Company in October 2010 and received a written quote for the provision of plantation management agency services. The fee quote consists of various individual items rather than the cost per tonne approach used by PGC, and is summarised below:

Services	Fees	Remarks
Management Fees	RM 75/ha This excludes Management salaries and all fringe benefits which will be charged to the client.	Fee includes: a) General Management of the estate b) Allocation of key management staff c) Marketing Strategies and Services including billing and debt collection d) Financial Management including preparation of monthly estate accounts up to Trial Balance e) Human Resources Management
Agronomic Services for fertilizer recommendation	RM 10.00 per ha per visit including foliar sampling & analysis	The fee does not include any incidentals or out of pocket costs incurred for the visits which will be claimed separately.
Planting Adviser Visits	RM 6.50 per ha per visit	The fee does not include any incidentals or out of pocket costs incurred for the visits which will be claimed separately.

Buying Commission	2.5% on purchase price	On purchase of any inputs, equipments, etc managed by B Company's Procurement.
Selling Commission	3% on gross sales	Calculated on any sale revenue generated by the estate, such as revenue from FFB sales, or other estate products
Preparation of monthly accounts	Negotiated	Including P&L, Balance Sheet, Taxation and other Accounting Services
IT System – Maintenance Support		Depends on the system employed by the Company and based on market fair cost.

Table 21: Summary of B Company Quote

- 10.5. As a result of the different approaches adopted by the two parties, the approach we have adopted to compare the offers is to apply the stated fees to the 2010 actual trading results of CKP and the 2011 forecast trading results.
- 10.6. The calculation of the management fee estimated for PGC for the 2010 actual results and 2011 forecast results is shown below:

	Rate	FFB 2010 (MT)	Total Fee 2010 (RM)	FFB 2011 (MT)	Total Fee 2011 (RM)
Estate Fruit	220.00	33,897	7,457,245	42,000	9,240,000
External FFB	40.00	114,848	4,593,936	142,788	5,711,520
Total Management Fee			12,051,182		14,951,520

Table 22: Estimated Fee for PGC – 2010 and 2011 Results

- 10.7. The calculation of the management fee estimated for Company B for the 2010 actual results and 2011 forecast results is shown below:

	Rate	Hectares / Value 2010	Total Fee 2010 (RM)	Hectares / Value 2011	Total Fee 2011 (RM)
Fixed Costs					
Mngt Fee	75.00	1,616.6	121,245	1,616.6	121,245
Agronomic Services	10.00	1,616.6	16,166	1,616.6	16,166
Planting Advisory Services	6.50	1,616.6	10,508	1,616.6	10,508
			147,919		147,919
Variable Costs					
Buying Commission	2.5%	13,652,104	341,303	15,962,109	399,053
External FFB Purchases	2.5%	62,364,201	1,559,105	75,890,037	1,897,251
Selling Commission	3.0%	92,512,456	2,775,374	112,655,244	3,379,657
Prep Monthly A/C's	Est.		12,000		12,000
IT System	Est.		10,000		10,000
Manager Salary etc	Est.		50,000		50,000
Total Management Fee			3,336,595		3,998,629

Table 23: Estimated Fee for B Company – 2010 and 2011 Results

- 10.8. As CKP would remain liable for all the expenses incurred on the plantation under Company B's arrangement, the total operating costs for the year (excluding broker's commission which is part of the management fee) must be added to the management fee to determine the total cost to CKP for the year.
- 10.9. The comparison between the PGC management fee and Company B's arrangement is shown below and shows that the Company B offer is on average 37% more expensive than the PGC offer over the two years.

All RM	2010	2011
PGC Management Fee	12,051,182	14,951,520
Company B Management Fee	3,336,595	3,998,629
CKP Operating Expenses	13,652,104	15,962,109
Total Cost for Company B Arrangement	16,988,699	19,960,738
Variance	4,937,517	5,009,218
As %	41%	34%

Table 24: Comparison of Estimated Management Fees – 2010 and 2011 Results

- 10.10. To assess the impact of fluctuations in production levels, the above analysis has been repeated using 10% less FFB processed and 10% more FFB processed. The results are shown below using the assumption that Selling and Distribution costs will fluctuate in proportion to the production levels:

All RM	+ 10%	2010 Unadjusted	-10%	+ 10%	2011 Unadjusted	- 10%
PGC	13,256,300	12,051,182	10,846,064	16,446,672	14,951,520	13,456,368
Company B	19,268,576	16,988,699	18,070,032	22,722,003	19,960,738	21,273,974
Variance	6,012,276	4,937,517	7,223,969	6,275,331	5,009,218	7,817,606
As %	45%	41%	67%	38%	34%	58%

Table 25: Comparison of Estimated Management Fees Applying Production Sensitivities

- 10.11. This shows that as production levels vary, the Company B offer becomes comparatively more expensive, particularly if production falls significantly.
- 10.12. It is noted that the risk profile of the two offers also vary significantly. Under the PGC arrangement, PGC is responsible for all plantation employees and all costs incurred by the plantation whilst under management. As the contract is a fixed fee per tonne, it is in PGC's interest to control costs as efficiently as possible and obtain the best price for purchases. Other than the specifically negotiated expense categories (see paragraph 10.2), any over-runs or price variations must be borne by PGC.
- 10.13. However, with the Company B arrangement, CKP remains responsible for all employees and costs incurred by the plantation. Company B acts as the manager and facilitates all sales and purchases, in exchange for a fixed fee component and commission, but has no real incentive to control costs (beyond its professional reputation and/or any separately negotiated contract clauses) and any over-runs or variations will be passed on directly to CKP.
- 10.14. It therefore appears that both the terms and pricing of the PGC arrangement are preferable to the Company B offer.

Comparison to Actual Costs

10.15. We understand that Company B typically deals with much larger plantations than CKP, therefore the management fee arrangement offered may not represent the best commercial deal available for CKP. To provide further analysis for the PGC arrangement, a comparison between the estimated management fee and actual costs historically incurred on the plantation has also been undertaken, as shown in the table below.

All RM	2008	2009	2010
Total FFB (MT)	224,039	177,052	148,745
Estate Expenses	10,461,439	8,334,371	6,534,377
Mill Expenses	5,808,012	5,275,921	5,384,285
Admin Expenses (excl. Directors Fees)	1,574,332	529,404	237,146
Selling & Distribution Costs	50,000	50,000	50,000
Total Costs	17,893,783	14,189,696	12,205,808
PGC Management Fee	18,044,216	14,259,624	12,051,182
Variance	150,433	69,928	(154,626)
<i>As %</i>	<i>0.8%</i>	<i>0.5%</i>	<i>-1.3%</i>

Table 26: Comparison of Estimated Management Fees to Actual Costs Incurred

10.16. This analysis indicates that the PGC management fee would have been approximately equal to the actual historic costs incurred in running CKP. It is understood that PGC would benefit from economies of scale as part of the larger plantation management business of Prosper which would allow for a profit margin to be generated.

Conclusion

10.17. The analysis undertaken indicates that the PGC management agreement offer is significantly cheaper and has a more preferable risk profile than an alternative provider's offer. In addition, when applied to the historic trading results the PGC management fee is equal to the actual costs incurred by CKP.

11. Are The Proposed Transactions Fair?

Acquisition of CKP

- 11.1. The estimated purchase price for the acquisition of CKP is determined below, using the balance sheet at 31 December 2010 as a proxy for the financial position of CKP at settlement:

	RM	Basis
Purchase Price	145,000,000	Per SSA
Plus:		
- Value of inventory	1,479,578	31 Dec 2010 balance
- 75% of fertiliser applied in 1st quarter	618,750	Pro-rata of 2010 fertiliser (RM 3.3 million)
Less:		
- Liabilities to be settled on completion:		
Current liabilities	(3,278,933)	31 Dec 2010 balance
Non-current liabilities	(4,831,140)	31 Dec 2010 balance
Estimated tax payable for 2010	(3,130,000)	Estimated 2010 tax
- Estimated tax payable for 1st quarter	(782,500)	Pro-rata of estimated 2010 tax (RM 3.1 million)
TOTAL	135,075,755	

Table 27: Value of Consideration

- 11.2. The estimated value of the consideration is therefore RM 135.1 million.
- 11.3. Our assessed values of CKP and the consideration to be paid are summarised in the table below.

RM million	Ref.	Assessed Value	
		Low	High
Value of Consideration	11.2	135.1	135.1
Value of CKP	9.46	136.9	136.9

Table 28: Valuation Summary

- 11.4. As the value of the asset to be acquired is greater than the value of the consideration to be paid, we consider the acquisition of CKP to be **Fair** to the Non-Associated Shareholders of CI Resources.

Management Agreement

- 11.5. The analysis undertaken in Section 10 indicated that the PGC management agreement offer:
- Is significantly cheaper than an alternative provider's offer;
 - Has a preferable risk profile than an alternative provider's offer; and
 - Is equal to the historic costs incurred, when applied retrospectively.
- 11.6. On this basis, the PGC management contract is considered to be **Fair** to the Non-Associated Shareholders of CI Resources.

Conclusion on Fairness

- 11.7. Therefore, in our opinion and in the absence of any other relevant information, the Proposed Transactions are **Fair** to the Non-Associated Shareholders.

12. Are The Proposed Transactions Reasonable?

12.1. As the Proposed Transactions are fair, they are therefore considered to be reasonable in accordance with the guidance provided by ASIC. However, we have also considered the following:

- The future prospects of CI Resources if the Proposed Transactions do not proceed; and
- Other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transactions proceeding.

Stated Intentions of CI Resources

12.2. As the immediate parent company, PRL will have operational responsibility for the CKP investment. PRL intends to continue operating the plantation with no significant changes except for the transfer of employees and management duties to PGC, a management contracting business of the Prosper Group.

12.3. To complete the acquisition of CKP, PRL will drawdown on a loan facility of approximately US\$30 million provided by OCBC Bank (Malaysia). Repayments on the loan will be funded by the cash flows generated by CKP.

Future Prospects of CI Resources if the Proposed Transactions Do Not Proceed

12.4. The economic and licensed life of PRL's phosphate mine on Christmas Island, and therefore the primary operational aspect of the Company, is nearing completion. As stated in the 14 December 2010 ASX announcement, the Boards of CI Resources and PRL have been considering alternative opportunities for the companies, both through diversification of existing activities and extension of value into current industry sectors.

12.5. If the Proposed Transactions do not proceed, PRL and CI Resources will continue to investigate business opportunities which will deliver positive cash flows and build shareholder value.

Advantages and Disadvantages

12.6. In assessing whether the Non-Associated Shareholders are likely to be better off if the Proposed Transactions proceed than if it does not, we have compared various advantages and disadvantages that are likely to accrue to the Non-Associated Shareholders.

Advantages

Advantage 1 – Proposed Transactions are Fair

12.7. RG 111 states that a transaction is reasonable if it is fair.

Advantage 2 – No Dilution of Control

12.8. As the acquisition of CKP is a cash transaction, the ownership interest of existing shareholders of both PRL and CI Resources will not be diluted.

Advantage 3 – Diversification of Interests

12.9. The investment into the palm oil industry provides CI Resources shareholders with diversification into agribusiness whilst creating synergies with the existing phosphate fertiliser business. As a result of PRL's

current operations, the company already has a number of contacts within the agribusiness sector.

Advantage 4 – Established and Sustainable Business

- 12.10. CKP is an established business which has been growing oil palms since the 1970's and has a track record of profit generation. The current leases have at least 55 years life remaining; provided the plantation is well maintained, the business should be sustainable throughout this period and into any lease renewal periods.

Advantage 5 – Growth Industry

- 12.11. The palm oil industry has grown steadily in recent years and is expected to continue doing so. Malaysia accounts for almost 40% of the global CPO production and is a leading exporter to the emerging economies of India and China which are driving much of the demand growth.

Advantage 6 – Opportunity for Growth

- 12.12. The Proposed Transactions allow CI Resources shareholders to participate in the future development and growth of CKP. If this investment is successful, there may also be opportunities to expand operations by acquiring further plantations or complimentary businesses.

Advantage 7 – Support from Significant Shareholder

- 12.13. Prosper is a significant shareholder of CI Resources and a well-established, successful palm oil plantation industry participant. A Prosper Group company will manage the plantation, bringing the significant skills and experience of the group to the operations.

Advantage 8 – Relatively Low Sovereign Risk

- 12.14. Whilst investing in foreign countries always bears some sovereign risk, Malaysia's is considered to be relatively low given the English Common Law based legal system and pro-business outlook. Malaysia also has a high degree of political stability and the government is generally welcoming to foreign investment.

Advantage 9 – Management Logistics

- 12.15. The CKP plantation is located approximately two hours drive from Kuala Lumpur, which is in the same time zone as Perth and less than 6 hours direct flight. This proximity to Perth should enable efficient management and operational logistics.

Disadvantages

Disadvantage 1 – Lack of Management Skill in Industry

- 12.16. The current management team of CI Resources and PRL have no experience in the palm oil industry; therefore they have an unproven record of running a business such as CKP. However, by appointing PGC as the plantation manager and using industry experts to monitor performance at the plantation on behalf of PRL, this risk will be partially mitigated.

Disadvantage 2 – Environmental Impacts

- 12.17. The performance of oil palm plantations is highly dependent on weather conditions, for example drought seasons can significantly reduce the yields of the palms. Therefore, the trading results of CKP will always be vulnerable to environmental conditions in Malaysia.

- 12.18. There has also been negative comment in the media in regards to the deforestation caused by new oil palm plantations. Whilst there may be some potential impact on CKP from an industry perspective, as the CKP estate was planted in the 1970's there is unlikely to be any specific action targeted against CKP.

Disadvantage 3 – Fluctuations in Market Prices

- 12.19. CPO is a market commodity and therefore the selling price will fluctuate in line with market supply and demand forces; this will impact on the financial results of CKP.

Disadvantage 4 – Exchange Rate Risk

- 12.20. CKP will operate in the currency of Malaysian Ringgit whilst PRL and CI Resources report in Australian Dollars, therefore exchange rate fluctuations may impact on the financial results recorded in the Australian entities.

Disadvantage 5 – Political Risk

- 12.21. As noted above, investment in a foreign country always involves some element of political risk. Whilst Malaysia is considered to be a relatively stable country, political riots were staged in 2007 against the current government.

Disadvantage 6 – Dependence on Prosper Relationship

- 12.22. A Prosper Group management company will be used to manage the CKP plantation; it is therefore in the best interests of CI Resources and PRL to maintain a good relationship with Prosper and related entities.

Response of Market to the Announcement of the Proposed Transactions

- 12.23. There have only been two trades since the Proposed Transactions were announced to the market on 14 December 2010 – one trade at \$0.65 on 30 December 2010 and a further one at \$0.55 on 10 January 2011.
- 12.24. The total number of shares traded amounts to 37,792, which represents only 0.05% of the issued share capital. Therefore, although the trades indicate an increase from the closing share price on 13 December 2010 of \$0.48, the data is not considered representative enough to be relied upon.

Alternative Proposal

- 12.25. We are not aware of any alternative proposals which are sufficiently developed for investment at this time.

Conclusion on Reasonableness

- 12.26. In our opinion, the position of the Non-Associated Shareholders if the Proposed Transactions are approved is more advantageous than the position if they are not approved. Therefore, in the absence of any other relevant information and/or a superior offer, we consider that the Proposed Transactions are **Reasonable** for the Non-Associated Shareholders of CI Resources.
- 12.27. An individual shareholder's decision in relation to the Proposed Transactions may be influenced by his or her individual circumstances. If in doubt, shareholders should consult an independent advisor.

RSM! Bird Cameron Corporate Pty Ltd

AFS Licence No 255847

Yours faithfully

RSM BIRD CAMERON CORPORATE PTY LTD



ANDREW GILMOUR

Director



GLYN YATES

Director

APPENDIX 1

Declarations and Disclosures

RSM Bird Cameron Corporate Pty Ltd holds Australian Financial Services Licence 255847 issued by ASIC pursuant to which they are licensed to prepare reports for the purpose of advising clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate reconstructions or share issues.

Qualifications

Our report has been prepared in accordance with professional standard APES 225 “Valuation Services” issued by the Accounting Professional & Ethical Standards Board.

RSM Bird Cameron Corporate Pty Ltd is beneficially owned by the partners of RSM Bird Cameron (RSMBC) a large national firm of chartered accountants and business advisors.

Mr. Andrew Gilmour is a director of RSM Bird Cameron Corporate Pty Ltd. He is a Member of the Australian Institute of Chartered Accountants with extensive experience in the field of corporate valuations and the provision of independent expert’s reports for transactions involving publicly listed and unlisted companies in Australia.

Mr. Glyn Yates is a director of RSM Bird Cameron Corporate Pty Ltd. He is an Associate of the Institute of Chartered Accountants in England and Wales and has extensive experience in the field of corporate valuations and the provision of independent expert’s reports.

Reliance on this Report

This report has been prepared solely for the purpose of assisting the Non-Associated Shareholders of CI Resources in considering the Proposed Transactions. We do not assume any responsibility or liability to any party as a result of reliance on this report for any other purpose.

Reliance on Information

Statements and opinions contained in this report are given in good faith. In the preparation of this report, we have relied upon information provided by the directors and management of CI Resources and we have no reason to believe that this information was inaccurate, misleading or incomplete. However, we have not endeavoured to seek any independent confirmation in relation to its accuracy, reliability or completeness. RSM Bird Cameron Corporate Pty Ltd does not imply, nor should it be construed that it has carried out any form of audit or verification on the information and records supplied to us.

The opinion of RSM Bird Cameron Corporate Pty Ltd is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

In addition, we have considered publicly available information which we believe to be reliable. We have not, however, sought to independently verify any of the publicly available information which we have utilised for the purposes of this report.

We assume no responsibility or liability for any loss suffered by any party as a result of our reliance on information supplied to us.

Disclosure of Interest

At the date of this report, none of RSM Bird Cameron Corporate Pty Ltd, RSMBC, Andrew Gilmour, Glyn Yates, nor any other member, director, partner or employee of RSM Bird Cameron Corporate Pty Ltd and RSMBC has any interest in the outcome of the Proposed Transactions, except that RSM Bird Cameron Corporate Pty Ltd are expected to receive a total fee of approximately \$40,000 based on time occupied at normal professional rates for the preparation of this report. The fees are payable regardless of whether CI Resources receives Shareholder approval for the Proposed Transactions, or otherwise.

Consents

RSM Bird Cameron Corporate Pty Ltd consents to the inclusion of this report in the form and context in which it is included with the Explanatory Memorandum to be issued to Shareholders. Other than this report, none of RSM Bird Cameron Corporate Pty Ltd, RSM Bird Cameron Partners or RSMBC has been involved in the preparation of the Notice of General Meeting and Explanatory Statement. Accordingly, we take no responsibility for the content of the Notice of General Meeting and Explanatory Statement as a whole.

APPENDIX 2

Sources of Information

In preparing this report we have relied upon the following principal sources of information:

- CI Resources Limited Financial Report for the years ended 30 June 2009 and 2010
- Phosphate Resources Limited Annual Report for the years ended 30 June 2009 and 2010
- Cheekah-Kemayan Plantations Sdn Bhd Financial Statements for the years ended 31 December 2007, 2008 and 2009
- Cheekah-Kemayan Plantations Sdn Bhd management accounts for the year ended 31 December 2010
- Share registry of CI Resources Limited
- Share registry of Cheekah-Kemayan Plantations Sdn Bhd
- Management Services Agreement between Cheekah-Kemayan Plantations Sdn Bhd and PGC Management Services Sdn Bhd
- Share Sale Agreement between Sendi Unik Sdn Bhd and Phosphate Resources Limited
- Engineering Audit Report on the CKP Mill prepared by Phosphate Resources Limited
- Independent Valuation Report of CKP Plantation and Mill prepared by Jones Lang Wootton
- 10-year Financial Projections for Cheekah-Kemayan Plantations Sdn Bhd
- Information from the Oil World website
- Information from the Malaysian Palm Oil Board website
- Bloomberg Professional
- Discussions with management and staff of CI Resources Limited, Phosphate Resources Limited and for Cheekah-Kemayan Plantations Sdn Bhd

APPENDIX 3

Assessment of an Appropriate Discount Rate

When assessing an appropriate discount rate to use in a discounted cash flow valuation, due regard must be given to the rates of return available in the marketplace, the degree of risk attached to the business, shares or project and the required rate of return.

Businesses are normally funded by a mix of debt and equity. The Weighted Average Cost of Capital ("WACC") is a widely used and accepted basis to calculate the "representative" rate of returns required by debt and equity investors. We have applied the WACC to determine an appropriate discount rate to be used in the valuation of the CKP plantation.

The Capital Asset Pricing Model ("CAPM") is the most frequently used model in determining the cost of equity of an investment or project and the required rate of return for debt funding is determined having regard to current borrowing costs and prevailing credit ratings. The cost of equity and cost of debt are weighted by the respective proportions of equity and debt funding to arrive at the WACC.

WACC

The generally accepted WACC formula is the post-tax WACC as shown below:

$$WACC = [Re * E/V] + [Rd (1 - t) * D/V]$$

Where:

Re	=	Expected equity investment return or cost of equity
Rd	=	Interest rate on debt (pre-tax)
t	=	Corporate tax rate
E	=	Market value of equity
D	=	Market value of debt
V	=	Market value of debt plus equity

CAPM

The CAPM is based on the theory that the prudent investor will price investments so that the expected return is equal to the risk free rate of return plus a premium for risk. CAPM assumes that there is a positive relationship between risk and return; that is, investors are risk averse and therefore demand higher returns for accepting higher levels of risk.

The CAPM calculates the cost of equity through the following formula:

$$Re = Rf + \beta[E(Rm) - Rf]$$

Where:

R_e	=	Cost of equity capital or expected return on the investment.
R_f	=	Risk free rate of return.
$E(R_m)$	=	Expected return on the market.
$E(R_m) - R_f$	=	Market risk premium
β	=	Beta

We have considered each component of the CAPM below.

Risk free rate - R_f

We have assumed a risk free rate of 4.04% being the current yield on the 10-year Malaysian Government Bond as at 31 January 2011. We have used the 10-year bond rate as this is typically used as a proxy for the long-term risk-free rate.

Market Risk Premium – $E(R_m) - R_f$

Market risk premium represents the level of return investors require over and above the risk free rate in order to compensate them for the undiversifiable risks associated with an investment in a market portfolio. Strictly speaking, the market risk premium is equal to the expected return from holding shares over and above the return from holding risk-free government securities.

The data available for the Malaysian stock market is limited; therefore we have referenced our assessment to the Australian equity risk premium and other sources.

Various empirical studies undertaken in Australia and overseas show that historical market risk premiums vary across markets; the Australian market is generally in line with the overall range of other developed countries but is slightly higher than the world average. A paper published in the Journal of Law and Financial Management in 2003 estimated that the long-term market risk premium in Australia was 6.7%. This is in line with an earlier study carried out by the Australian Graduate School of Management ("AGSM") using data from 1974 to 1995.

Regulatory authorities in Australia generally adopt a market risk premium of 6%, although in May 2009 the Australian Energy Regulator required 6.5% to be used as the market risk premium in determining allowable revenue for electricity transmission and distributions service providers.

In a recent broker valuation, Reuters stated that a 6.5% equity risk premium had been adopted in the discounted cash flow valuation of a Malaysian listed company. Empirical data from the University of New York updated in January 2011 shows a risk premium of 6.73% for Malaysia.

Having regard to this information, we have assumed a market risk premium in the range of 6% to 7% in our determination of the discount rate.

Beta - β

Beta is a measure of the sensitivity of the return on an investment to general market movements (the overall relative riskiness of the investment) with less risky investments having a β nearer to 0, a market portfolio having a β of 1 and risky investments having higher β 's.

Equity betas are normally either historical or an adjusted beta. The historical beta is obtained from the linear regression of a security's historical price and dividend data and is based on the security's return and the returns on an index. An adjusted beta is calculated based on the assumption that the relative risk of the past will continue into the future, and hence derived from the historical data. It is then modified by the assumption that a security will move towards the market over time, taking into consideration the industry risk factors which make the operating risk of the investment project greater or less risky than comparable listed companies when assessing the equity beta for an investment project.

It is important to note that when comparing equity betas of different companies, regard should be given to their respective gearing levels. The observed beta is a function of the underlying risk of the cash flows of the company, together with the capital structure and tax position of that company; this is known as the geared or levered beta. The capital structure and tax position of comparable companies may not be the same as those of CKP, therefore the geared beta is often adjusted for these factors to determine the ungeared beta.

Betas can be "ungeared" by applying the following formula:

$$\beta_a = \beta / 1 + (D/E * (1 - t))$$

Where:

β_a	=	Ungeared beta
β	=	Beta
D	=	Level of Debt
E	=	Level of Equity
t	=	Tax rate

In order to assess the appropriate equity beta for the Proposed Transaction we have considered the equity betas of comparable publicly listed oil palm plantation companies. We have then calculated the ungeared betas based on their debt to equity structures, as set out in the table below.

Company	Exchange	Market Cap RM bn	Total Debt RM bn	Debt/Equity %	Beta	Ungeared Beta
Kuala Lumpur Kepong Bhd	KLSE	22.78	1.69	7.4%	0.81	0.77
MP Evans Group Plc	LSE	1.22	0.07	5.5%	0.47	0.45
Anglo-Eastern Plantations	LSE	1.36	0.07	5.2%	0.59	0.57
IJM Plantations Bhd	KLSE	2.38	0.00	0.0%	1.02	1.02
Hap Seng Plantations Holdings	KLSE	2.54	0.04	1.4%	0.94	0.93
PP London Sumatra Indonesia	IDX	5.40	0.10	1.8%	1.52	1.50
Genting Plantations Bhd	KLSE	6.40	0.22	3.4%	1.03	1.00
Golden Agri-Resources Ltd	SGX	20.24	2.76	13.6%	1.57	1.42
Sime Darby Bhd	KLSE	55.23	7.60	13.8%	0.86	0.78
Kulim Malaysia Bhd	KLSE	4.15	2.20	53.0%	0.60	0.43
Mean		12.17	1.47	12.1%	0.94	0.89
Median		4.78	0.16	5.36%	0.90	0.85

Source: Bloomberg 31 January 2011

Based on the above analysis, we have assumed an ungeared beta of 0.85 to 0.95 to be appropriate for CKP.

On the basis of the gearing levels of the comparable companies, we consider an appropriate debt to equity ratio of CKP to be 15:85; therefore the re-gearred beta for CKP is calculated as being between 0.95 and 1.06.

Company Specific Risk Premium

We have also included a company specific risk factor in our calculation of the Cost of Equity, to reflect the fact that CKP is significantly smaller than the listed company comparables used in determining the equity beta - as a smaller plantation, CKP carries a higher risk for investors than the listed companies.

We consider an appropriate company specific risk premium for CKP to be between 3% and 4%.

Cost of Equity

We have calculated the cost of equity as follows.

Discount rate	Low	High
Risk free rate	4.04%	4.04%
Equity market risk premium	6.0%	7.0%
Beta	0.95	1.06
	5.67%	7.40%
Company specific risk premium	3.0%	4.0%
Cost of Equity	12.71%	15.44%

Cost of Debt

We have selected a post-tax cost of debt of between 4.53% and 5.28%, after consideration of the following:

- The current risk-free rate in Malaysia is 4.04%;
- Average margin for debt funding is considered to be between 2% and 3%, based on the current indicator rate of 6.3% in Malaysia;
- Working capital funding for the Proposed Transaction will be provided by a Malaysian bank at 6.0% interest; and
- The corporate tax rate in Malaysia is 25%.

Gearing

The gearing level should represent the level of debt that the asset can reasonable sustain and is not necessarily equivalent to the gearing level of the entity owning the asset. In general, the lower the expected volatility of cash flows, the higher the debt levels which can be supported.

It is generally considered appropriate to consider the gearing levels of comparable listed companies. We have adopted a target gearing ratio of 15% debt to 85% equity.

Calculation of WACC

We have adopted a nominal discount rate of between 11.5% and 13.9% per annum (after tax) based on our calculation of WACC below:

	Low	High
Cost of equity	12.71%	15.44%
Cost of debt	4.53%	5.28%
Debt to equity ratio	15%	15%
WACC	11.49%	13.91%
Selected WACC	11.5%	13.9%

APPENDIX 4

Independent Valuation Report by Jones Lang Wootton

Note Regarding Appendix F of the JLW Report

Appendix F relates to the Technical Report on CKP's Mill prepared by Jinsheng Consultancy Services and has not been included in this IER.

It is our opinion that the Technical Report has not been relied upon for the purposes of determining a value of the Mill, with the exception of confirming the existence and condition of the plant and equipment used in the Mill's operations, given that JLW prepared independent Discounted Cash Flows of the Mill's operations for its valuation.

On the basis that the Technical Report does not contribute to our assessment, and due to its significant size, we have excluded the 101-page report from our IER. A copy of the Technical Report is available on request from CI Resources.



Jones Lang Wootton

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OUR REF: V/OC/003/10

VALUATION OF

**AN OIL PALM PLANTATION KNOWN AS
CHEEKAH-KEMAYAN PLANTATIONS
TOGETHER WITH A PALM OIL MILL**

**FORMING PT 2036, PT 2037, PT 2327, PT 2328
PT 2329, PT 2330 & PT (UNIDENTIFIED)**

ALL WITHIN MUKIM AND DISTRICT OF BERA

STATE OF PAHANG DARUL MAKMUR

MALAYSIA

PREPARED FOR THE EXCLUSIVE USE OF:

RSM BIRD CAMERON CORPORATE PTY LTD

8 ST GEORGES TERRACE

PERTH WA 60000

AUSTRALIA

DATE OF REPORT: 8TH FEBRUARY 2011



**VALUATION OF AN OIL PALM PLANTATION KNOWN AS
CHEEKAH-KEMAYAN PLANTATIONS TOGETHER WITH A PALM OIL MILL
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- APPENDICES 'A' - MAP OF PENINSULAR MALAYSIA**
- 'B' - APPROXIMATE LOCATION PLAN OF THE SUBJECT PROPERTY**
- 'C' - LOCATION PLAN OF CHEEKAH-KEMAYAN PLANTATIONS**
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- 'E' - LAYOUT PLAN OF THE PALM OIL MILL COMPLEX**
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MESSRS JINSHENG CONSULTANCY SERVICES**

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1.0 TERMS OF REFERENCE

We were engaged by RSM Bird Cameron Corporate Pty Ltd to advise on the Market Value of the 99-year leasehold interest in Lot Nos. PT 2036, PT 2037, PT 2327, PT 2328, PT 2329, PT 2330 & PT (unidentified), all within Mukim and District of Bera, State of Pahang Darul Makmur, Malaysia held under Title Nos. HSD 4604, HSD 4605, HSD 2458, HSD 2459, HSD 2841, HSD 2457 and HSD 2388 respectively, comprising an oil palm plantation together with a palm oil mill.

This valuation is requested to be prepared for inclusion in an Independent Expert's Report and for the exclusive use of RSM Bird Cameron Corporate Pty Ltd.

In undertaking the valuation of the palm oil mill, we have relied on the Technical Report on the plant & equipment by Mr Ir Tan Bee Wah of Messrs. Jinsheng Consultancy Services.

Pursuant to the engagement, we inspected the subject property on 24th December 2010, conducted titles check at Pahang Darul Makmur Land Registry on 27th December 2010 and gathered other relevant information necessary to arrive at our opinion of value.

We hereby submit our Report and Valuation, which is prepared in accordance with the regulated general principles of valuation and limiting conditions attached as **SCHEDULE 'III'**.



**VALUATION OF AN OIL PALM PLANTATION KNOWN AS
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2.0 THE SUBJECT AND DATE OF VALUATION

The subject of this valuation comprises the 99-year leasehold interests, having an unexpired term (as at the date of valuation) in the following parcels of agricultural land forming an oil palm plantation known as Cheekah-Kemayan Plantations together with a palm oil mill, located in Kemayan, State of Pahang Darul Makmur, Malaysia:

- PT 2036, expiring on 29th June 2070 (unexpired term of about 60 years)
- PT 2037, expiring on 29th June 2070 (unexpired term of about 60 years)
- PT 2327, expiring on 30th July 2073 (unexpired term of about 63 years)
- PT 2328, expiring on 30th July 2073 (unexpired term of about 63 years)
- PT 2329, expiring on 30th July 2073 (unexpired term of about 63 years)
- PT 2330, expiring on 30th July 2073 (unexpired term of about 63 years)
- PT (unidentified), expiring on 10th May 2066 (unexpired term of about 56 years)

The relevant date of valuation of the above legal interest is 24th December 2010.

3.0 LOCATION OF THE SUBJECT PROPERTY

The subject property, comprising an oil palm plantation together with a palm oil mill, commonly referred as Cheekah-Kemayan Plantations is located in a locality known as Kemayan, which is within the state of Pahang Darul Makmur, Malaysia. It is sited off the right side of the Kemayan-Triang trunk road, travelling from Kemayan town towards Triang town and approximately 15 kilometres to the east of Kemayan town. Triang town is located approximately 20 kilometres to the north of the subject property. Kuantan town, which is the state capital of Pahang Darul Makmur is located approximately 180 kilometres north-east of the subject property whilst Kuala Lumpur, the capital city of Malaysia is located about 175 kilometres to its north-west.

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Kemayan town is a small locale, located at the south-western portion of the State of Pahang Darul Makmur and borders the state of Negeri Sembilan Darul Khusus.

A map of Peninsular Malaysia with the subject property (Cheekah-Kemayan Plantations) indicated red in relation to Kuala Lumpur city and the surrounding towns, is attached as Appendix 'A'.

Properties in the immediate vicinity comprise mainly oil plantations, amongst others, Ladang Bukit Jin (Far East Holdings Berhad), Bukit Senorang Estate & Palm Oil Mill, South East Pahang Estate, Ladang Risda Bera as well as plantations belonging to Punca Purnama Sdn Bhd and Pujaan Makmur Sdn Bhd. Residential settlements in the locality include Kampung Tan Sri Hamzah and Kampung Sungai Chebang.

The subject property is accessible from Kemayan town centre via a metalled road for a distance of about 5 kilometres and thereafter turning into a laterite road for a distance of about 11 kilometres, before reaching the estate office.

An approximate location plan with Cheekah-Kemayan Plantations coloured red is attached as Appendix 'B'.



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4.0 DESCRIPTION OF THE PLANTATION (ESTATE)

General

The plantation, known as Cheekah-Kemayan Plantations, comprise seven (7) adjoining parcels of land identified as PT 2036, PT 2037, PT 2327, PT 2328, PT 2329, PT 2330 & PT (unidentified), all within Mukim and District of Bera, State of Pahang Darul Makmur. The total provisional title land area of the subject property is about 1,642.8217 hectares (4,059.5 acres).

However, as per the Certified Plan No. 85251 prepared by the Pahang Survey and Mapping Department, we noted that a final survey has been undertaken in respect of the component lots forming the subject property. PT 2036, PT 2037, PT 2327, PT 2328, PT 2329, PT 2330 & PT (unidentified) are now identified as Lot Nos. 12533, 12534, 12529, 12530, 12531, 12532 and 12535 respectively and having a total surveyed land area of 1,643 hectares (4,060 acres). A summary on the provisional title land areas and surveyed land areas of the component lots forming the subject property are as follows:-

Lot No. (PT)	Surveyed Lot No.	Provisional Title Area (Hectares)	Provisional Title Area (Acres)	Surveyed Land Area (Hectares)	Surveyed Land Area (Acres)
2036	12533	182.083	455	182.1	455.41
2037	12534	184.1317	450	184.3	450
2327	12529	202.343	500	202.4	500
2328	12530	202.343	500	202.4	500
2329	12531	202.343	500	202.4	500
2330	12532	137.5929	340	137.6	340
unidentified	12535	531.9598	1,314.5	531.8	1314.10
Total		1,642.8217	4,059.5	1,643	4,060

In our valuation, we have adopted the net land area of 1,643 hectares (4,060 acres).

A location plan with the subject property edged red is attached as Appendix 'C'.



**VALUATION OF AN OIL PALM PLANTATION KNOWN AS
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Twenty four (24) hour electricity supply is generated from the palm oil mill turbo-alternators/generator sited within the palm oil mill in the estate is made to available to the estate office, executive quarters and labour lines. Water supply is tapped from Sungai Serling (Serling river), which traverses along the southern portion of the estate and is channelled to a water treatment plant before distribution to the estate buildings and oil mill.

The estate is also served with a network of motorable laterite roads which are well maintained. Drains are also fairly well maintained as well.

Topography And Soil

The estate is generally flat to undulating in terrain and is interspersed with two rivers, namely Sungai Mengkuang along its northern boundary and Sungai Serling at its southern boundary. The nature of the terrain provides a good natural drainage to the estate.

We were not provided in the soil series of the estate. However, we were given to understand by the Estate Manager that the soil is suitable for the cultivation of a variety of crops including oil palm.

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Hectarage Statement And Planting

Cheekah-Kemayan Plantations is cultivated with oil palm and the hectarage statement is as follows:-

Utilization	Hectare	Acres
Planted Area - Oil Palm	1,616.5	3,994.5
Housing Complex, Estate Office Complex, Palm Oil Mill Complex and Effluent Ponds	26.5	65.5
Total	1,643	4,060

The estate is generally well maintained. The growth of the palms are generally satisfactory and the palms are healthy, vigorous in appearance and the fronds are long. The general upkeep and ground conditions of the cultivated areas are well maintained.

There was no evidence of any major pest attack on the fields. Rat baiting is being carried out and vigilance is maintained.

The oil palm hectarage statement on a bloc by bloc basis for Cheekah-Kemayan Plantations is as follows:-

Block No	Year Of Planting	Area In Hectares	Area In Acres
P95A			
A1	1995	56.098	138.62
A2		56.098	138.62
A3		61.597	152.21
A4		76.000	187.80
A5		19.000	46.95
Sub-Total		268.793	664.20
P97B			
B1	1997	84.296	208.30
B2		72.196	178.40
B3		55.037	136.00
B4		55.887	138.10
B5		51.597	127.50
Sub-Total		319.013	788.30

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P98C			
C1		72.884	180.10
C2		62.888	155.40
C3	1998	67.421	166.60
C4		65.316	161.40
C5		72.965	180.30
Sub-Total		341.474	843.80
P99D			
D1		57.097	141.09
D2		49.299	121.82
D3	1999	56.899	140.60
D4		81.297	200.89
D5		82.596	204.10
Sub-Total		327.188	808.50
P01E			
E1		79.557	196.59
E2		67.198	166.05
E3		34.20	84.51
E4	2001	56.397	139.36
E5		40.40	99.83
E6		40.598	100.32
E7		41.699	103.04
Sub-Total		360.049	889.70
GRAND TOTAL		1,616.517	3,994.5

A map showing the above fields is attached as Appendix 'D'.

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Rainfall

From the rainfall data collected by the estate, the annual rainfall over the past 4 years is as follows:-

Year/ Month	2007		2008		2009		2010 (Jan-Nov)	
	No. of Raindays	mm	No. of Raindays	mm	No. of Raindays	mm	No. of Raindays	mm
Jan	14	132.90	8	105.80	7	117.0	10	86.85
Feb	5	24.70	6	52.30	8	0.0	6	29.30
March	6	117.20	19	283.50	14	159.0	8	130.00
April	7	174.30	13	93.00	10	103	11	159.50
May	9	112.60	9	92.70	10	200.0	7	85.20
Jun	10	159.20	12	131.50	6	41.0	15	153.50
July	9	105.53	8	53.90	1	98.0	9	73.90
August	13	141.81	11	136.80	8	121.0	12	233.00
Sept	12	160.40	9	55.60	10	280.0	13	139.50
Oct	13	246.80	17	177.50	15	241.0	5	93.70
Nov	13	175.00	14	202.00	10	592.0	12	173.50
Dec	14	500.90	6	56.20	9	563.0	-	-
Total		2,051.34		2,400.00		2,515.00		2,355.60

We were given to understand that the rainfall for the estate is sufficient for the cultivation of oil palm.

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Yield

The comparative yields of fresh fruit bunches (FFB) in tonnes per hectare for the past five (5) years up to the period of November 2010 for Cheekah-Kemayan Plantations are as follows:-

Field / Block	Acres	2006		2007		2008		2009		2010 (Jan-Nov)	
		y/ac	Total mt	y/ac	Total mt	y/ac	Total mt	y/ac	Total mt	y/ac	Total mt
P95A	664.20	10.61	7,164.63	10.27	6,822.80	11.79	7,828.78	11.44	7,600.93	9.05	6,010.60
P97B	788.30	10.16	8,237.00	10.07	7,938.30	11.94	9,416.55	11.22	8,848.24	9.00	7,093.89
P98C	843.80	9.94	7,610.00	9.94	8,389.14	11.10	9,371.36	10.56	8,912.50	8.70	7,341.59
P99D	808.50	7.53	5,559.34	9.51	7,689.31	10.04	8,118.85	9.26	7,484.25	7.18	5,807.93
P01E	889.80	6.02	4,950.39	6.34	5,645.19	7.96	7,077.55	8.06	7,175.05	6.45	5,742.81
		8.79	33,521.36	9.13	36,484.74	10.47	41,813.09	10.02	40,020.97	8.01	31,996.82

The fresh fruit bunches are sent to the palm oil mill within the estate known as Cheekah-Kemayan Palm Oil Mill.

Management And Manpower

This estate is under the management of Cheekah-Kemayan Plantations Sdn Bhd. It is under the supervision of an Estate Manager who is assisted by the following complementary staff and workers under checkroll:-

	Category Of Workers	Total
1.	Administrative	9
2.	Mandore	4
3.	Harvesters	68
4.	Loaders & tractor drivers	11
5.	General Workers	6
	Total	98

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The Buildings

Cheekah-Kemayan Plantations accommodates the following buildings:-

	Description	Unit
1.	Senior Manager's Bungalow	1
2.	Manager's Bungalow	1
3.	Staff's Quarters (semi-detached)	12
4.	Worker's Quarters (semi-detached)	30
5.	Surau	2
7.	Chemical Store (1 unit)	1
8.	Old W/Bridge/Store	1
9.	Chinese Temple	1
11.	Creche (one of 30 units)	2
12..	Canteen	1
13.	Sundry Shop (1)	3
14.	Office	1

Photographs of the oil palm fields and buildings, taken at the date of our inspection are attached overleaf.



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5.0 DESCRIPTION OF THE PALM OIL MILL

This palm oil mill complex is sited on Lot PT (unidentified) (New Surveyed Lot No. 12535) of Cheekah-Kemayan Estate. The mill site together with the estate office complex encompasses an area of about 10 hectares (24.7 acres).

5.1 MILL BUILDINGS

The palm oil mill complex accommodates the following buildings-

- (a) Single storey detached office building;
- (b) Mill complex;
- (c) New boiler house;
- (d) Chemical store;
- (e) Old Weighbridge office
- (f) Guard house;
- (g) Toilets and
- (h) Store.

The brief description of the above buildings are as follows:-

a) Single storey detached office building

This building is constructed of a reinforced concrete frame with brick infills rendered externally and plastered internally supporting a timber pitched roof laid over with corrugated asbestos roofing sheets.

The ceilings are generally of flat ceiling sheets whilst the flooring is of cement screed throughout.

Doors are generally of timber panelled, some of incorporating glass panels. Windows are generally of adjustable glass louvres in timber frames. The partitions within the office area are either of plastered brickwalls or timber boards incorporating glass panels.

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The building accommodates a general office area, mill manager's room, assistant mill manager room, weighbridge office and laboratory.

The building has main floor area of about 165.27 square metres (1,779 square feet).

b) Mill complex

This 'T' shaped complex building is designed to accommodate the following:

- i) Main processing area;
- ii) Loading area;
- iii) Threshing station;
- iv) Sterilizer station and
- v) Workshop.

i) Main processing area

This area is constructed of a steel portal frame supporting steel purlins laid over with metal deck roofing sheets incorporating perspex sheets with a raised jack roof to enhance ventilation and natural lighting. Part of the elevations are open sided whilst the other part of this area are clad with metal deck sheets.

The flooring is generally of heavy duty reinforced concrete.

This processing area comprises boiler area, power house, clarification station and kernel station.

This area has an estimated floor to eaves and ridge heights of about 15.0 metres (49 feet).

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This factory has a main floor area of about 1,603.35 square metres (17,258 square feet).

ii) Loading area

This open-sided building is mainly constructed of a steel portal frame supporting steel purlins laid over with metal deck roofing sheets.

The floor to eaves level height of the building is about 8.23 metres (27 feet).

The flooring is generally of heavy duty reinforced concrete.

This building has an ancillary floor area of about 1,287.0 square metres (13,853 square feet).

iii) Threshing station

The building is constructed of a steel portal frame supporting steel purlins laid over with metal deck sheets and incorporating a jackroof. The elevations are generally open sided with the exception of the portion adjoining the workshop area which is clad with metal deck sheets. The building opens onto the underside of the roof.

The floor to eaves level height of the building is about 18 metres (59 feet).

The flooring is of reinforced concrete finished with cement render throughout.

The gross floor area of the building is about 454.5 square metres (4,892 square feet).

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iv) Sterilizer station

This open-sided building is mainly constructed of a steel portal frame supporting steel purlins laid over with metal deck roofing sheets.

The floor to eaves level height of the building is about 6 metres (20 feet).

The flooring is generally of heavy duty reinforced concrete.

This factory has an ancillary floor area of about 1,710.0 square metres (18,406 square feet).

v) Workshop

The building is constructed of a steel frame supporting a steel pitch roof laid over with metal deck roofing sheets. The elevations are part open-sided and part clad with metal deck sheets further secured with metal frames incorporating wire mesh. The workshop area opens onto the underside of the roof.

The flooring is of reinforced concrete finished with cement render throughout.

The entrances to the workshop area are secured with metal doors.

The floor to eaves level height of the building is about 6.7 metres (22 feet).

The building has a floor area of about 364.0 square metres (3,918 square feet).

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c) New boiler house

This building is generally constructed of a steel portal frame supporting steel purlins roofed over with metal deck sheets and incorporating a jack-roof. The elevations of the building are part open-sided and thereafter cladded with metal deck sheets to eaves level. The building opens onto the underside of the roof.

The floor to eaves level height of the building is about 15.0 metres (49 feet).

The flooring is generally of reinforced concrete finished with cement render.

This building has a floor area of about 298.54 square metres (3,213 square feet).

d) Chemical store

This building is constructed of a reinforced concrete frame supporting a timber frame roof laid over with corrugated asbestos roofing sheets. The elevations are of part plastered brick infills and part 1 metre high plastered brickwall surmounted with galvanized metal sheets

The flooring is of cement screed throughout. The doors are of galvanized metal sheets on timber frames and timber panelled. The building floor area is about 21.36 square metres (230 square feet).

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e) Old Weighbridge office

This building is constructed of a reinforced concrete frame with brick infills rendered externally and plastered internally supporting a concrete flat roof. The flooring is of cement screed throughout. The door is of timber panelled whilst windows are of adjustable glass louvres in timber frames.

At the date of inspection, we noted that the weighbridge office is no longer in use as it has been relocated to be within the office building.

The building has a floor area of about 13.38 square metres (144 square feet).

f) Guard House

This building is constructed of a timber frame supporting a timber frame roof laid over with corrugated asbestos roofing sheets. The elevations are of 3 feet high plastered brick walls surmounted with timber weather boards incorporating adjustable glass louvres in timber frames. The ceiling is of timber ply board whilst the flooring is of cement screed throughout. The entrance is secured with a timber panelled door.

The building has a floor area of about 4.83 square metres (52 square feet).

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g) Toilet

This out-building is constructed of a reinforced concrete frame with brick infills rendered externally and plastered internally supporting a timber frame roof laid over with corrugated asbestos roofing sheets.

The toilet area opens onto the underside of the roof whilst the flooring is of cement screed throughout. Doors are generally of timber panelled.

The building has a floor area of about 19.8 square metres (213 square feet).

h) Store

This out-building store is constructed of a reinforced concrete frame with brick infills rendered externally and plastered internally supporting a timber frame roof laid over with corrugated asbestos roofing sheets.

The flooring is of cement screed throughout whilst the door is of timber panelled.

The building has a floor area of about 9.0 square metres (96.87 square feet).

A layout plan of the palm oil mill complex is attached as Appendix 'E'.

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5.2 PLANT & MACHINERY

The plant and machinery under valuation comprise the following

	Description	Nos. of Units	Remarks
1.	Weighbridges	2	One with a capacity of 60 tonnes and the other is 50 tonnes
2.	FFB loading & storage hoppers	2	With a total storage of 600 – 700 tonnes FFB
3.	Rail track & fruit cages	-	The deisgned capacity of the fruit cages is 3.5 tonnes FFB
4.	Sterilizer Station – automatically operated	3	Each station has a capacity of 32 tonnes FFB (9 cages x 3.5 tonnes FFB/cage)
5.	Overhead cranes – Type Demag	2	Only one unit is in operation at all times with the other on stand by mode
6.	Thresher Station	2	One is a shaft-less type and the other shaft-type is used for double threshing operations
7.	Press Station – twin screw presses and digesters	5	4 units are rated at 15 tonnes FFB per hour and 1 unit at 10 tonnes FFB per hour
8.	Depericarper Station	1	
9.	Nut cracking & Kernal Recovery Station	1	Each Ripple Mill is rated at 6 to 7 tonnes nuts/hour.
10.	Kernal Drying & Storage Station	4	Four units of kernel silo
11.	Clarification Station		2 Vertical clarifiers – with a capacity of 200 tonnes & more than 6 hours retention time; 1 3-phase decanter, with a capacity of 28 cubic meter/hour; 3 units of sludge separators – on standby duty if the decanter is being serviced; 1 unit Vaccum Dryer - Capacity of 12 – 15 tonnes per hour;

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			Sand cyclones
12.	Engine Room	2	Two units of steam turbo-alternator type ALLEN KKK -1000kw and Shinko - 1200kw, together with a standby disel alternator and Main Circuit Control Board
13.	Boilers	3	Type Yoshimine 1 - 10,000 kg/hr and Yoshimine 2 - 15,000 kg/hr (both from Japan) and Vickers Hoskins - 30,000 kg/hr. The Vickers Hoskins is the main boiler and when it is being serviced, the other two older boilers are put into operation. These are supported with two motor-driven boiler feed pumps and one steam turbine-driven pump.
14.	Bulk Storage Tanks	4	One unit of 1500 mt and three units of 500 mt.
15.	Water Treatment & Supply Plant		3 units of centrifugal pump-sets - two sets are electrically driven and the other is diesel engine driven installed at the pump-house next to the river. The water treatment plant has two vertical clarifiers, where the treated water is then stored in a steel storage tank. The water supply from the storage tank is pumped through two sand pressure filters to the overhead storage tanks at the Mill before distribution to the various buildings within the estate.

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16.	Empty Fruit Bunch Incinerators	1	One unit only
17.	"YKL" EFB Press	3	The three units are newly installed and is under-going capacity test. These units will replace the EFB Incinerators in due course.
18.	Acidification, Anaerobic and Aerobic Ponds	11	There are 11 ponds within the estate ground, consisting of primary and secondary anaerobic, aerobic, algae and discharge ponds
19.	Laboratory Equipments		
20.	Workshop spares and stock		

Photographs of oil mill buildings and equipments are attached overleaf.

A photocopy of the Technical Report on the plant and equipment prepared by the consultant, i.e. Mr Ir Tan Bee Wah of Messrs. Jinsheng Consultancy Services is attached as Appendix 'F'.

6.0 PUBLIC SERVICES

Public amenities such as telephone lines is connected to the subject property.

Twenty four (24) hour electricity supply is generated from the palm oil mill's turbo-alternators/generator located within the palm oil mill in the estate and is made to available to the mill estate office, executive quarters and labour lines. Water supply is tapped from Sungai Serting (Serting river), which traverses along the southern portion of the estate and is channelled to a water treatment plant before distribution to the buildings.

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7.0 PARTICULARS OF TITLES

Enquiries conducted at the Pahang Darul Makmur Land Registry on 27th December 2010 revealed the following entries in the official documents of titles of the subject property:-

Lot Nos.: PT 2036, PT 2037, PT 2327, PT 2328, PT 2329, PT 2330 & PT (unidentified), all within Mukim and District of Bera, State of Pahang Darul Makmur, Malaysia.

Title Nos.: HSD 4604, HSD 4605, HSD 2458, HSD 2459, HSD 2841, HSD 2457 and HSD 2388 respectively.

Tenure: Leasehold interest for a term of 99 years, in respect of the following titles;
PT 2036, expiring on 29th June 2070
PT 2037, expiring on 29th June 2070
PT 2327, expiring on 30th July 2073
PT 2328, expiring on 30th July 2073
PT 2329, expiring on 30th July 2073
PT 2330, expiring on 30th July 2073
PT (unidentified), expiring on 10th May 2066

Category Of

Land Use: Agriculture in respect of all titles.

Land Areas: PT 2036 – 182.1083 hectares (450 acres)
PT 2037 – 184.1317 hectares (455 acres)
PT 2327 – 202.343 hectares (500 acres)
PT 2328 – 202.343 hectares (500 acres)
PT 2329 – 202.343 hectares (500 acres)
PT 2330 – 137.5929 hectares (340 acres)
PT (unidentified) - 531.9598 hectares (1,314.5 acres).

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Quit Rents: PT 2036 – RM18,220.00 per annum.
PT 2037 – RM18,420.00 per annum.
PT 2327 – RM20,240.00 per annum.
PT 2328 – RM20,240.00 per annum.
PT 2329 – RM20,240.00 per annum.
PT 2330 – RM13,760.00 per annum.
PT (unidentified) - RM53,200.00 per annum.

Registered
Proprietor: MHC Kemayan Plantation Sdn. Bhd. in respect of all titles.

Express
Condition: **In respect of PT 2036, PT 2037 & PT (unidentified)**
“Tanah ini hendaklah digunakan untuk tanaman kelapa sawit sahaja”.
“(The land herein is to be used for oil palm cultivation only)”.

In respect of, PT 2327, PT 2328, PT 2329 & PT 2330
Nil.



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Restriction

In Interest:

In respect of PT 2036, PT 2037 & PT (unidentified)

"Tanah ini tidak boleh dipindahmilik, dipajak, digadai melainkan setelah mendapat kebenaran bertulis daripada Pihak Berkuasa Negeri".

"(The land herein cannot be transferred, leased, charged unless having obtained written consent from the State Authority)".

In respect of, PT 2327, PT 2328, PT 2329 & PT 2330

Nil.

Encumbrance:

Charged twice to OCBC Bank (Malaysia) Berhad, both registered on 23rd October 2004, in respect of all titles

Note:

As per the Certified Plan No. 85251 prepared by the Pahang Survey and Mapping Department, we noted that a final survey has been undertaken in respect of the component lots forming the subject property. PT 2036, PT 2037, PT 2327, PT 2328, PT 2329, PT 2330 & PT (unidentified) are now identified as Lot Nos. 12533, 12534, 12529, 12530, 12531, 12532 and 12535 respectively and having a total surveyed land area of 1,643 hectares (4,060 acres).

In our valuation, we have adopted the total surveyed land area of 1,643 hectares (4,060 acres).

8.0 PLANNING DETAILS

Our verbal enquiries at the Pahang State Town and Country Planning Department revealed that Cheekah-Kemayan Plantations is designated for agricultural use.

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9.0 VALUATION

9.1 BASIS OF VALUATION

This valuation is requested to be prepared for Corporate purposes and the basis of valuation adopted is the **Market Value** which is defined as “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

No allowances are made in the valuation for any expense of realisation or for taxation which might arise in the event of a disposal, deemed or otherwise. We have considered the property as if free and clear of all charges, lien and all other encumbrances which may be secured thereon. We have also assumed the property is free of all statutory notices and outgoings.

9.2 VALUATION METHODOLOGY

In arriving at our opinion of the Market Value, we have used the **Profits Method (By Discounted Cash Flow)**. This involves the capitalization of all future profits from the operations of the plantation and palm oil mill as a basis to determine the market value of the property.

Computation using the Profits Method (By Discounted Cash Flow) is attached as **SCHEDULE ‘I’**.

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As a check we have also adopted the **Comparison Method** whereby comparison is made of the property under valuation with sales of other similar property. Where dissimilarities exist, adjustments are made.

Attached as **SCHEDULE 'II'** are some of the transactions of oil palm plantations in Malaysia.

9.3 OPINION OF VALUES

This valuation is requested to be prepared for Corporate purposes.

Having regard to the foregoing, our opinion of the Market Value of the 99-year leasehold interests in the subject property, Lot Nos. PT 2036, PT 2037, PT 2327, PT 2328, PT 2329, PT 2330 & PT (unidentified) (New Surveyed Lot Nos. 12533, 12534, 12529, 12530, 12531, 12532 and 12535 respectively), all within Mukim and District of Bera, State of Pahang Darul Makmur, Malaysia held under Title Nos. HSD 4604, HSD 4605, HSD 2458, HSD 2459, HSD 2841, HSD 2457 and HSD 2388 respectively, having the following unexpired lease terms:

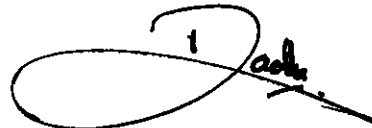
PT No. (New Surveyed Lot No.)	Unexpired Term
PT 2036 & PT 2037 (Lot 12533 & 12534)	unexpired term of about 60 years respectively
PT 2327, PT 2328, PT 2329 & PT 2330 (Lot 12529, 12530, 12531 & 12532)	unexpired term of about 63 years respectively
PT (unidentified) Lot 12535	unexpired term of about 56 years respectively

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[an oil palm plantation together with a palm oil mill, known as Cheekah-Kemayan Plantations, located in Kemayan, State of Pahang Darul Makmur, Malaysia and having a total surveyed land area of 1,643 hectares (4,060 acres)], subject to the titles being free of all encumbrances [inclusive of the existing charges to OCBC Bank (Malaysia) Berhad], good, marketable and registrable are as follows:-

- i) **Oil Palm Plantation**
RM120,000,000 (Ringgit Malaysia One Hundred And Twenty Million Only)
- ii) **Palm Oil Mill**
RM26,000,000 (Ringgit Malaysia Twenty Six Million Only)

For and on behalf of
JONES LANG WOOTTON



RADHAKRISHNAN
REGISTERED VALUER, V-564



Jones Lang Wootton

Proprietor: Singham Sulaiman Sdn. Bhd. (78217-X)

SCHEDULE 'I'

SCHEDULE I**AGRICULTURAL LAND SALES****SALE EVIDENCE 1**

Property: Lots 1837, 2880, 3572 & 3573, all within Mukim of Rantau,
District of Seremban, State of Negeri Sembilan Darul Khusus, Malaysia.

Property Type: An oil palm estate.

Location: Located off Jalan Seremban-Sungai Gadut, State of Negeri Sembilan Darul
Khusus, Malaysia.

Land Area: 485.010 hectares (1,198.484 acres).

Tenure: Interest in perpetuity.

**Town
Planning:** Designated for agricultural use.

Consideration: RM41,347,331.

**Date of
Transaction:** October 2009.

Vendor: Chembong Malay Rubber Co (1932) Limited.

Purchaser: Ria Gemilang Sdn Bhd.

Analysis: RM85,250 per hectare (RM34,500 per acre).

SALE EVIDENCE 2

Property: Lots 1, 2, 6, 69, 534, 536, 537, 539, 540, 564 & 565,
all within Mukim of Padang Meha, District of Kulim,
State of Kedah Darul Aman, Malaysia.

Property Type: An oil palm estate.

Location: Located along the Jalan Sungai Karangan-Kuala Ketil,
State of Kedah Darul Aman, Malaysia.

Land Area: 343.726 hectare (849.364 acres).

Tenure: Interest in perpetuity.

**Town
Planning:** Designated for agricultural use.

Consideration: RM27,487,300.

**Date of
Transaction:** November 2009.

Vendor: Ambang Maju Sdn Bhd.

Purchaser: Zhen Chen Thai Plywood Sdn Bhd.

Analysis: RM79,969 per hectare (RM32,362 per acre).

SALE EVIDENCE 3

Property:	Lots 1515, 1517, 1742, 4227 & 4412, all within Mukim of Lenggeng, District of Seremban, State of Negeri Sembilan Darul Khusus, Malaysia.
Property Type:	An oil palm estate known as Ulu Beranang Estate.
Location:	Located off the Jalan Lenggeng-Broga, State of Negeri Sembilan Darul Khusus, Malaysia.
Land Area:	530.548 hectares (1,311.011 acres).
Tenure:	Interest in perpetuity.
Town Planning:	Designated for agricultural use.
Consideration:	RM46,751,698.
Date of Transaction:	August 2008.
Vendor:	Sungei Beranang Syndicate Berhad.
Purchaser:	Inisiatif Jaya Sdn Bhd.
Analysis:	RM88,120 per hectare (RM35,661 per acre).



SALE EVIDENCE 4

Property:	Lots 2, 3, 26, Mukim of Bukit Lintang and Lots 643, 644, 645 & 646, Mukim of Air Molek, all within District of Melaka Tengah, State of Melaka, Malaysia.
Property Type:	An oil palm estate.
Location:	Located along the Jalan Ayer Molek-Tiang Dua-Serkam, State of Melaka, Malaysia.
Land Area:	464.071 hectare (1,146.743 acres).
Tenure:	Interest in perpetuity.
Town Planning:	Designated for agricultural use.
Consideration:	RM45,867,840.
Date of Transaction:	May 2008.
Vendor:	Leong Watt Hin Estate Sdn Bhd.
Purchaser:	Nora Ee Sdn Bhd.
Analysis:	RM98,838 per hectare (RM39,998 per acre).



Jones Lang Wootton

Proprietor: Singham Sulaiman Sdn. Bhd. (78217-X)

SCHEDULE 'II'



Jones Lang Wootton

Proprietor: Singham Sulaiman Sdn. Bhd. (78217-X)

SCHEDULE 'III'



GENERAL PRINCIPLES OF VALUATION AND LIMITING CONDITIONS

The following are the general principles and limiting conditions which have been adopted in our Valuation and upon which this report is prepared; the principles and conditions apply unless expressly stated otherwise in this report.

Valuation Standards

The valuation is undertaken in accordance with the Manual of Malaysian Valuation Standards (MVS) issued by the Board of Valuers, Appraisers And Estate Agents. Where applicable and relevant, reference has also been made to other established valuation manuals and standards such as those of the International Valuation Standards Committee (IVSC) as well as the Royal Institution Of Chartered Surveyors (RICS) Appraisal And Valuation Manual.

Confidentiality

The report and valuation are confidential to the client and to whom they are addressed and for the specific purpose to which they refer. they may be disclosed to other professional advisors assisting the client and/or the addressee in respect of that purpose, but shall not be disclosed to any other party. no responsibility is extended to any other parties and neither the whole, nor any part, nor reference thereto may be included in any published document, statement or circular, or published in any way or communicated in whatsoever manner to any third party, without our prior written approval of the form and context in which it will appear.

Use of Report

The opinion of value expressed in this Report shall be used solely for the purpose stated in the Report only. No responsibility is accepted for any consequences arising from the Report and Valuation being used for other purposes or quoted out of context.

Source Of Information

Where it is stated in the Report that information has been supplied by sources listed, this information is believed to be reliable and no responsibility is accepted should it prove not to be so. All other information stated without being attributed directly to another party is obtained from our checks of records, perusal of documents or enquiries with the relevant authorities. This report has been prepared on the basis that full disclosure of all information and facts which may affect the Valuation, have been made known to ourselves and we cannot accept any liability or responsibility in any event, unless such full disclosure has been made.

Attendance At Court

The engagement for preparation of the report and valuation does not automatically bind our attendance in court or to appear in any enquiry before any government or statutory bodies in connection with the report and valuation unless expressly agreed in the terms of engagement.

Town Planning And Other Statutory Regulations

Details and information pertaining to town planning are obtained from the structure plan, local plan and development plans published by the relevant authority whilst verbal enquiries could be made, requisitions may not necessarily be conducted with the various authorities to confirm if the property is not adversely affected by any public schemes such as roads, drainage improvements, etc. if reassurance is required, verification should be obtained from lawyers or other professional advisors.

The Report and Valuation are prepared on the basis that the premises and any improvements thereon comply with all relevant statutory regulations. In instances where the Certificate of Fitness for Occupation issued by the relevant authority are not available for inspection, the valuation is on the basis that such certificate has been issued or forthcoming.



Register Document Of Title (RDT)

A check on the Register Document of Title (RDT) is conducted at the respective Land Registry/Office unless otherwise stated in the report. This check is to establish particulars of title relevant to valuation only. Whilst we may have extracted relevant information as recorded in the RDT, we cannot accept any responsibility for the accuracy and/or legal validity of such records.

Leases And Tenancies

No enquiries are made as to the financial status of existing or prospective lessees and/or tenants. Where properties are valued with the benefit of lettings, it is assumed that the lessees and/or tenants are capable of meeting their obligations under the lease or tenancy and that there are no arrears of rent or undisclosed breaches of covenants.

Site Surveys

No boundary checks are conducted. The site dimensions are assumed to correspond with those shown in the title document, certified plan, any other relevant plans or agreements or other appropriate document as expressly stated in the report.

Site Conditions

No investigations were conducted on the past and present uses of the property or neighbouring land to establish whether there is any contamination or potential contamination to the land. We have also not conducted any investigation to determine the suitability of the ground conditions and services for the existing or any new development, nor have we undertaken any archaeological, ecological or environmental surveys. Unless we are otherwise informed, our Valuation is on the basis that these aspects are satisfactory and that, where development is proposed, no extraordinary expenses or delays will be incurred during the construction period.

Structural Surveys

No structural and/or building surveys nor any testing of services have been carried out, nor an inspection of those parts of the property which are inaccessible been conducted and therefore we are unable to account for such in this report. Whilst any defects or items of disrepair are noted during the course of inspection, we are not able to give any assurance in respect of structural integrity, rot, termite or pest infestation or other hidden defects.

Building Measurement

Where building measurements are carried out, such measurements are in accordance to the guidelines on Uniform Method Of Measurement issued by the Institution Of Surveyors, Malaysia.

Deleterious Or Hazardous Materials

No investigation was undertaken to ascertain if any deleterious or hazardous materials had been used in the construction of the buildings/improvements, or have since been incorporated and we are therefore unable to account or report for such in this report.

Financial Encumbrances

Unless otherwise stated, no allowances are made in the valuation for any expense of realisation or for taxation which might arise in the event of a disposal, deemed or otherwise. We have considered the property as if free and clear of all charges, lien and all other encumbrances which may be secured thereon. We also assumed the property is free of statutory notices and outgoing.

Personal Property

Unless otherwise stated, all personal property are excluded in the valuation. Personal property refers to ownership of an interest in tangible items other than real estate that are not permanently attached or affixed to real estate (ie. moveable) such as fittings, furnishings, collectibles, appliances, current assets of a business, trade inventories, supplies, etc as well as trade/tenant's fixtures whilst intangible assets include the right to recover a debt, the right to profits, etc.

DISCOUNTED CASH FLOW
PALM OIL MILL - CHEEKAH-KEMAYAN PLANTATIONS SDN BHD

Land Tenure 99-year leasehold interest, expiring on 10-May-66
55.4 years remaining (as at the date of this valuation)
Date Of Valuation: 24-Dec-10

					2007	2008	2009	2010	2011 1	2012 2	2013 3	Terminal		
A - SUMMARY														
Fresh Fruit Bunches (FFB) Volume (mt)														
- Grown from Cheekah - Kemayan Plantation					42,260	50,459	39,875	33,797	39,825	39,215	38,888	39,000		
- Purchased from 3rd Party					143,809	173,580	137,177	114,848	140,000	145,000	150,000	150,000		
Total					186,069	224,039	177,052	148,645	179,825	184,215	188,888	189,000		
Production (mt)														
- Crude Palm Oil (CPO)					34,565	41,969	33,883	28,837	35,066	35,922	36,833	36,855		
- Palm Kernel (PK)					10,796	13,461	10,690	NA	9,890	10,132	10,389	10,395		
Productivity (%)														
- CPO					18.6%	18.7%	19.1%	19.4%	19.5%	19.5%	19.5%	19.5%		
- PK					5.8%	6.0%	6.0%	NA	5.5%	5.5%	5.5%	5.5%		
Sold (mt)														
- CPO					38,591	44,010	37,681	NA						
- Sold from production					32,344	41,715	34,073	NA						
- Other Sales					6,247	2,295	3,608	NA						
- PK					10,404	12,829	10,741	NA						
Selling Price														
- CPO					RM2,506	RM2,768	RM2,138	RM2,690	RM2,600	RM2,730	RM2,867	RM3,010		
- PK					RM1,474	RM1,627	RM1,082	NA	RM1,550	RM1,628	RM1,709	RM1,794		
- % of PK/CPO					58.83%	58.76%	50.60%	NA	59.62%	59.62%	59.62%	59.62%		
Purchase Price					RM504	RM567	RM416	RM543	RM527	RM553	RM580	RM609		
% of Purchase Price of FFB/ Selling Price of CPO					20.1%	20.5%	19.5%	20.2%	20.25%	20.25%	20.25%	20.25%		
B - INCOME														
Sales of														
1) Crude Palm Oil					RM81,040,917	RM115,478,778	RM72,840,620	RM77,674,477	RM91,171,364	RM98,066,807	RM105,582,097	RM110,927,100		
2) Palm Kernel					RM15,337,090	RM20,868,297	RM11,619,149	RM14,835,844	RM15,330,096	RM16,489,537	RM17,753,203	RM18,651,943		
3) Palm Shells					RM3,803	RM7,186	RM3,901	RM2,135	RM532,507	RM572,782	RM616,676	RM647,895		
4) Other Operating Income					RM6,553	RM72,906	RM124,088	RM90,807						
Total Gross Income					RM96,388,363	RM136,427,167	RM84,587,758	RM92,603,263	RM107,033,968	RM115,129,125	RM123,951,976	RM130,226,939		
C - EXPENSES														
1) Cost of Sales:														
- Purchased from Cheekah - Kemayan Plantation					NA	NA	NA	NA	RM20,967,955	RM21,678,982	RM22,573,009	RM23,770,093		
- Purchased from 3rd Party					RM72,446,709	RM98,452,687	RM57,092,945	RM62,364,201	RM73,710,000	RM80,159,625	RM87,069,938	RM91,423,434		
					RM72,446,709	RM98,452,687	RM57,092,945	RM62,364,201	RM94,677,955	RM101,838,607	RM109,642,946	RM115,193,527		
2) Cost of Manufacture:														
- Mill Expenses					6.0%	of INCOME	RM4,121,780	RM5,808,721	RM5,275,921	RM5,852,237	RM6,422,038	RM6,907,748	RM7,437,119	RM7,813,616
							RM4,121,780	RM5,808,721	RM5,275,921	RM5,852,237	RM6,422,038	RM6,907,748	RM7,437,119	RM7,813,616
					4.3%		4.3%		6.2%		6.3%			
3) Trading Expenses														
- Selling & Distribution Costs					2.0%	of INCOME	RM1,670,190	RM2,375,578	RM1,943,296	RM1,617,796	RM2,140,679	RM2,302,583	RM2,479,040	RM2,604,539
							RM1,670,190	RM2,375,578	RM1,943,296	RM1,617,796	RM2,140,679	RM2,302,583	RM2,479,040	RM2,604,539
					% Selling & Distributions Costs / INCOME		1.73%	1.74%	2.30%	1.75%				
4) Upgrading Works for the Mill Equipments from 2011 to 2013 as advised by Jin Sheng Consultancy and estimated Capital Expenditure per annum for the remaining tenure														
									RM2,975,000	RM1,353,000	RM2,800,000	RM200,000		
									RM2,975,000	RM1,353,000	RM2,800,000	RM200,000		
Total Expenses									RM106,215,672	RM112,401,937	RM122,359,104	RM125,811,682		
D - NET INCOME														
Discount Rate					13.50%				0.8811	0.7763	0.6839	0.6839		
Years' Purchase for 52 years @					13.50%							7.3977		
E - NET PRESENT VALUE														
									RM720,965	RM2,117,013	RM1,089,414	RM22,339,068		

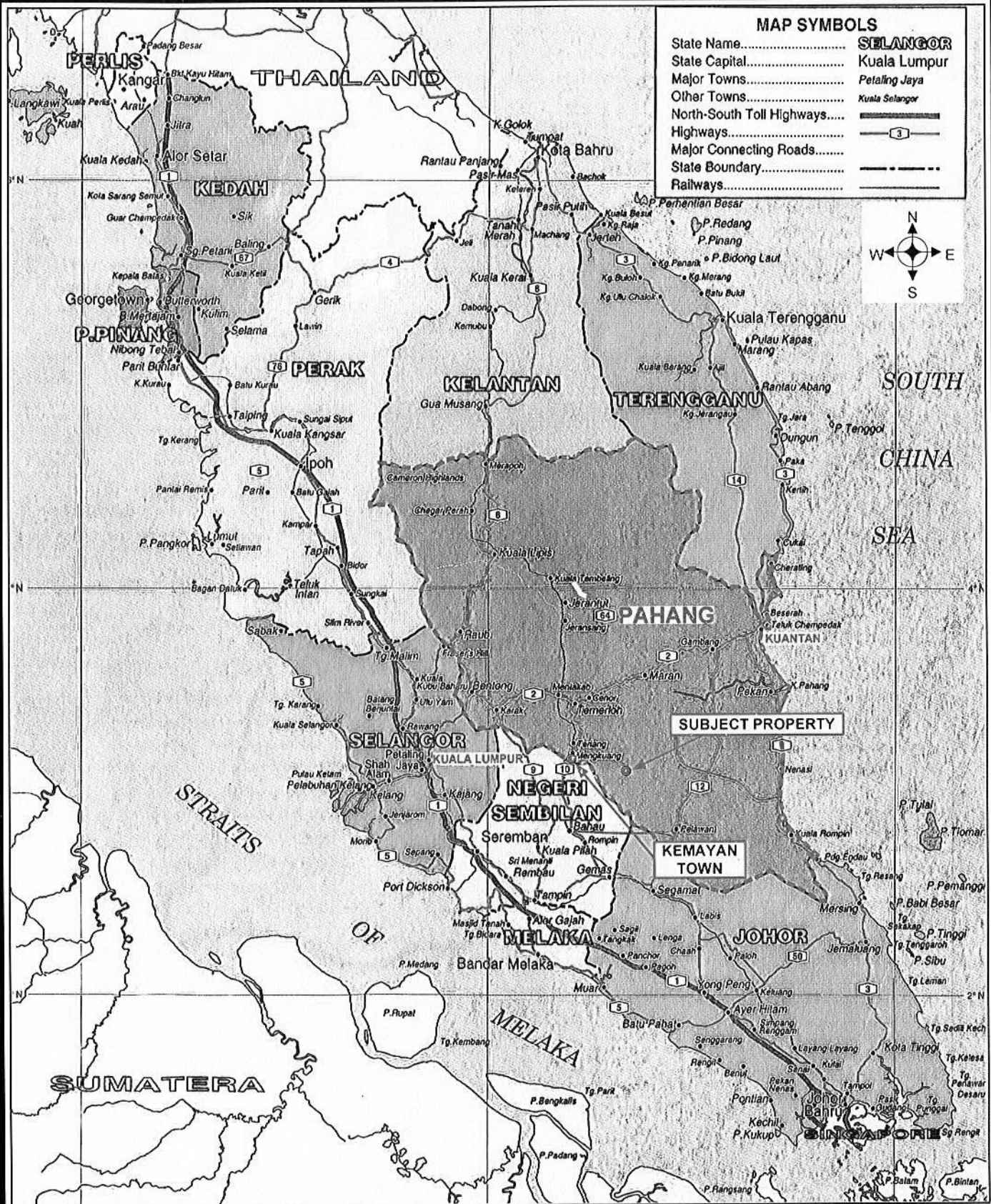
Total RM26,266,459
say RM26,000,000



Jones Lang Wootton

Proprietor: Singham Sulaiman Sdn. Bhd. (78217-X)

APPENDIX 'A'



MAP OF PENINSULAR MALAYSIA



Jones Lang Wootton

Proprietor: Singham Sufaiman Sdn. Bhd. (78217-X)
International Property Consultants,
Registered Valuers,
Property Managers and
Real Estate Agents

REFERENCE

VIOC/003/10

PREPARED BY

AM

CHECKED BY

SAH

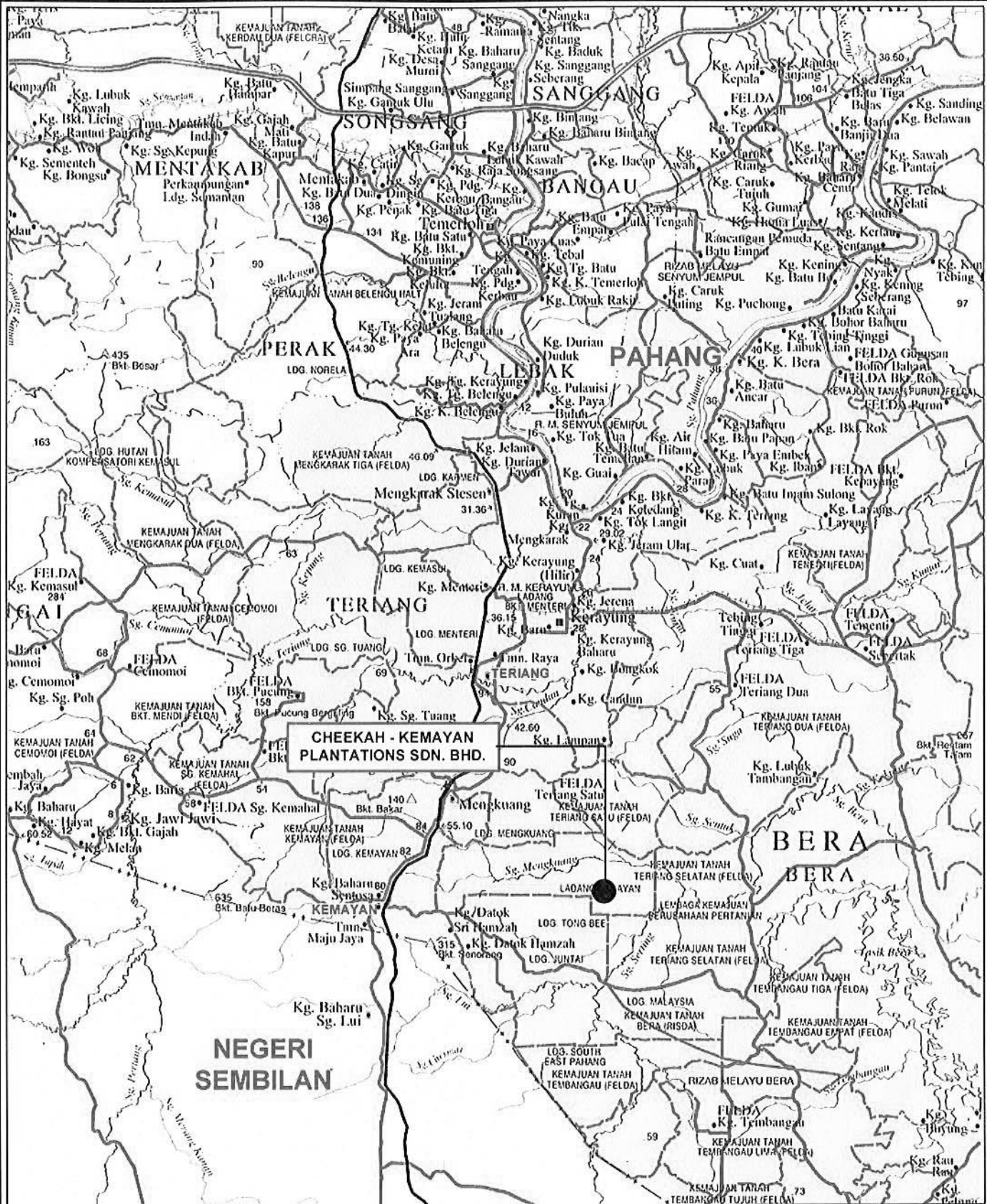
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Jones Lang Wootton

Proprietor: Singham Sulaiman Sdn. Bhd. (78217-X)

APPENDIX 'B'



APPROXIMATE LOCATION PLAN OF THE SUBJECT PROPERTY

Jones Lang Wootton

Proprietor: Singham Sufaiman Sdn. Bhd. (78217-X)
International Property Consultants,
Registered Valuers,
Property Managers and
Real Estate Agents

REFERENCE	V/OC/003/10		
PREPARED BY	AM	CHECKED BY	SAH

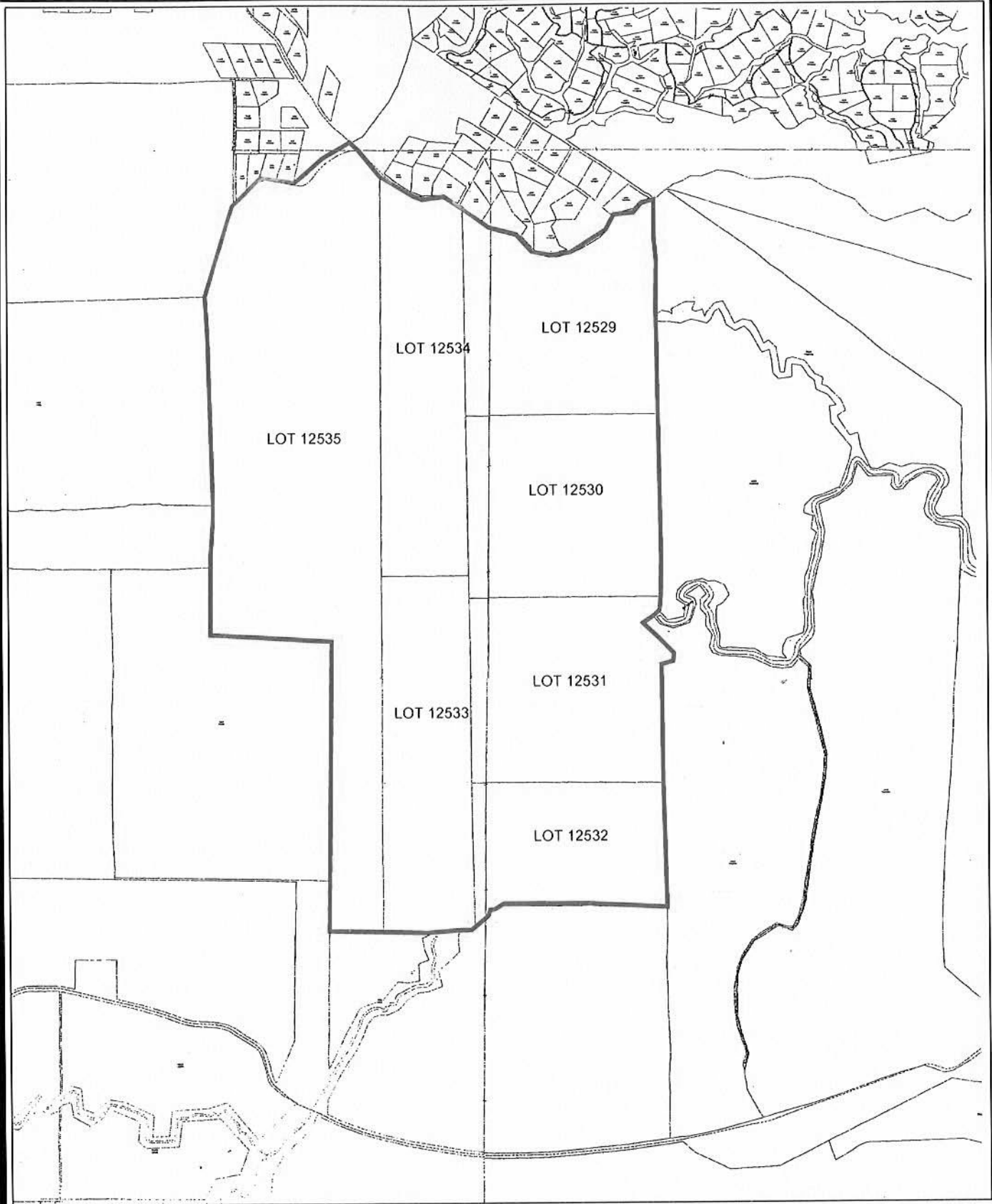
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Jones Lang Wootton

Proprietor: Singham Sulaiman Sdn. Bhd. (78217-X)

APPENDIX 'C'



LOCATION PLAN OF CHEEKAH - KEMAYAN PLANTATIONS



Jones Lang Wootton

Proprietor: Singham Sufaiman Sdn. Bhd. (78217-X)
International Property Consultants,
Registered Valuers,
Property Managers and
Real Estate Agents

REFERENCE

V/OC/003/10

PREPARED BY

AM

CHECKED BY

SAH

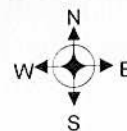
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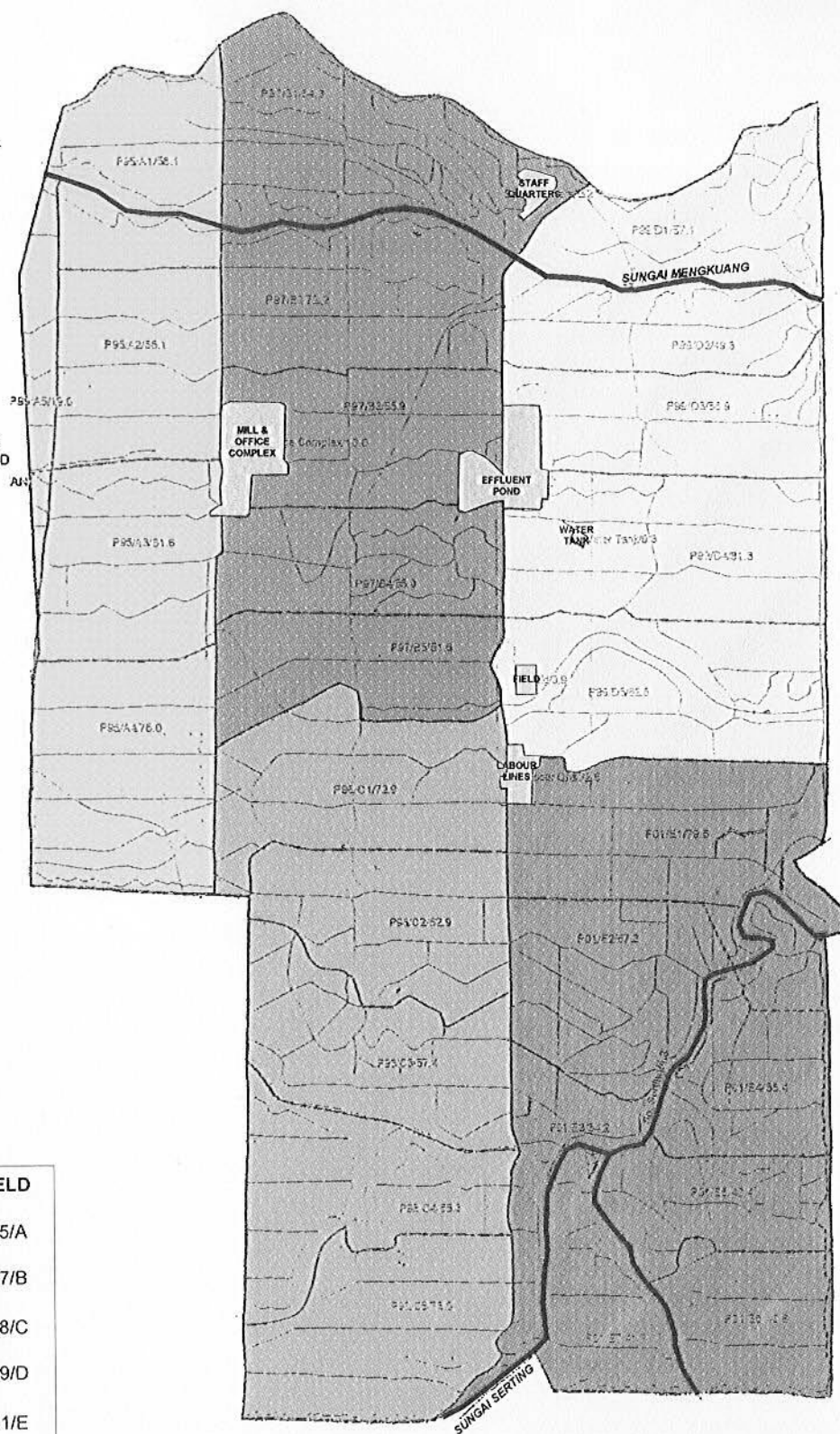
Jones Lang Wootton

Proprietor: Singham Sulaiman Sdn. Bhd. (78217-X)

APPENDIX 'D'



PROSPER - KEMAYAN
PLANTATIONS SDN. BHD
(TO KEMAYAN)



LEGEND : FIELD

	P95/A
	P97/B
	P98/C
	P99/D
	P01/E

FIELD MAP OF CHEEKAH - KEMAYAN PLANTATIONS



Jones Lang Wootton

Proprietor: Singham Sufaiman Sdn. Bhd. (78217-X)
International Property Consultants,
Registered Valuers,
Property Managers and
Real Estate Agents

REFERENCE	V/OC/003/10		
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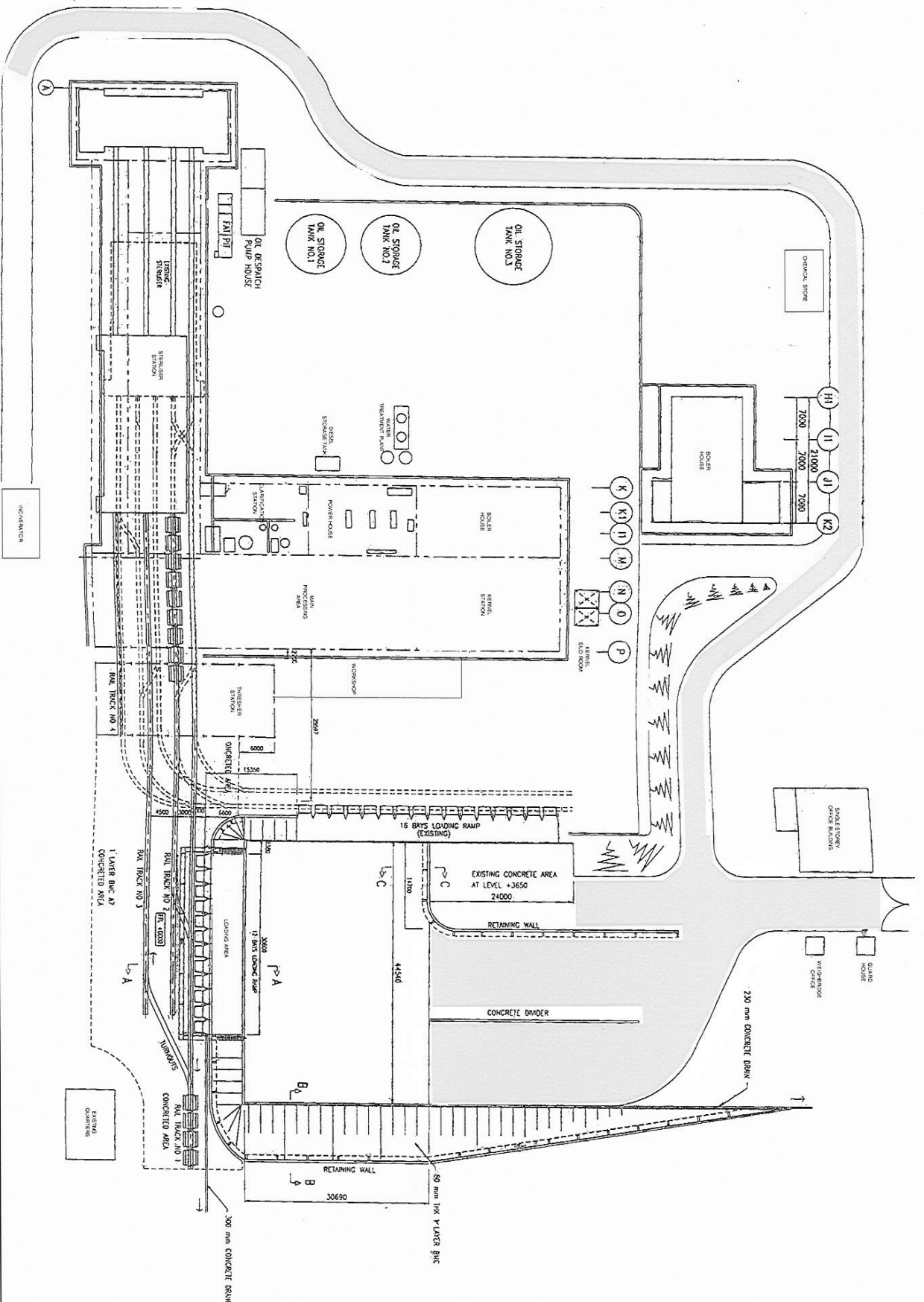
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Jones Lang Wootton

Proprietor: Singham Sulaiman Sdn. Bhd. (78217-X)

APPENDIX 'E'



SITE LAYOUT PLAN OF THE SUBJECT PROPERTY



Jones Lang Wootton

Proprietor: Singham Suleman Son Bhd. (782172)
 International Property Consultants,
 Registered Valuers,
 Property Managers and
 Real Estate Agents

REFERENCE:-

V/O/C/003/10

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